

Growth Trend of Local Building Contractors for the Period of 2005-2015 in Dar Es Salaam, Tanzania.

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Abstract - The construction industry is one of the engines of socio-economic growth and thus why, it's growth is important. The growth of construction industry is simultaneously to the growth of large, medium and small construction firm. The growth of these firms is not always easy nor risk free, hence making their growth interesting to study. This study intends to assess the growth trend of local building contractors for the period of 2005-2015 in Dar-Es-Salaam, Tanzania. The methodology employed during data collection was descriptive field survey, which involved physically administering questionnaires to local construction firms. Purposive and Disproportionate stratified sampling were used as sampling techniques, by selecting building contractors located in Dar-Es-Salaam. Simple Microsoft Word and Excel were used in analyzing the collected data and its presentation was done by tables and charts. Findings reveal that local building contractors lack sustainable growth particularly in terms of upgrading their firms to higher class levels. It also revealed the factors hindering their competitiveness, which includes; Limited access to finance and works; Stiff competition; Low turnover; Delays in payment; Bureaucratic in procurement procedure, National preference etc. The strategies used to improve their firms' growth, are; Participating in tendering; Acquiring new equipments; Employing right personnel; Cooperation with stakeholders; Training on procurement procedure; Joint ventures with other contracting firms, etc. It was concluded and recommended that, CRB; should review their upgrading criteria as current criteria do not promote the growth of local firms, taking into consideration the technical capacity and development in the industry with regard to plant and equipment. Furthermore, the government should ensure a more conducive environment for the growth of local building contractors through advocacy for affirmative government policies and initiatives on building the local capacity.

Keywords: Growth, Construction Industry, Local Building Contractor, Tanzania.

1.0. INTRODUCTION

The construction industry is a sector of the economy which is, and has always been, an important industry, transforming diverse resources into constructed necessary physical economic and social infrastructure, hence creating and maintaining the built environment, which is the foundation for the socio-economic development for any nation, and a reflection of a nation's development. The importance of construction industry's contribution in the socio-economic

development depends very much on the firms' growth, which can have two different meanings as per, Penrose & Pitelis,(1959); Hagstedt & Thideman,(2013)(41)(17) i.e.; growth as change in volume or size, or growth referring to a quality improvement as a result of process developments. This study focuses on growth, in relation to the size of the firm, where size is the result of one of the two factors; firm capital resources (i.e. labour, equipment, assets, financial status), and/or the financial output (i.e. turnover and profit). Furthermore, it is argued that without growth, the society will experience inertia, and consequently there will be no company, economic development or progress, (24)(17).

(Penrose & Pitelis,1959); Antonsson,(2002); Hagstedt & Thideman,(2013)(41)(2)(17), reports that; almost all of the large companies today have once been small companies, and conversably many of the large companies in the future are small companies today; thus why most construction firm owners keep wanting their firms to grow, and actively work towards expanding their firms in terms of size, revenue and profit. There are number reasons why companies want to grow. Firstly, shareholders and other investors want to get an increasing return on their invested capital, meaning their construction firm must generate more profit each year. Other reasons include all the positive effects that companies can receive while they grow larger, such as potential economics of scale and scope, network effects, and the possibility to defend the company towards competitors (46).

Indicators of construction firms' growth have been discussed in various literature reviews, which in turn are used as contractor key competitiveness indicators. According to Hatush & Skitmore,(1997), in Yang-Tao *at el*,(2007)(53); the proposed five criteria for assessing competitiveness of a construction firm, includes; financial soundness, technical ability, management capability, health and safety, and reputation. Moreover, the study by Holt *at el*,(1994)(19) adds more competitiveness indicators by including; contractor's organization, management resource, financial considerations, past experience, and past performance. For the purpose of this study, the following indicators were used to measure the growth of local building contractors; these are, Annual turnover; Technical ability (capacity of construction equipment and plants); Market ability (geographical regions of business activities); Number of employees; and Number of projects carried by a particular firm within a specified period.

Globally, many contracting firms have been growing, while others have found it difficult to grow due to different reasons. Example, Ling *et al.*,(2009)(25), reports that; Vietnamese building construction companies are lagging behind, due to lack of management capability, financial capacity, experience in complex projects, knowledge in advanced design and construction technology, hence experiencing lot of challenges in their growth, caused by weakness in their legal system (36). Always construction firms have to work in an environment where government policy changes quite frequently, causing legislations and regulations being inconsistent. In addition, it is not productive to apply Vietnam’s court system in commercial disputes due to its ineffectiveness, (25). However, in some countries building construction firms have been successful grown in such a way that, has extended their constantly growing of global competitiveness in construction industry market. Example, according to a 2013 study by the Ministry of Economy of Turkey; “In the period between 1972-2014, Turkish contractors have undertaken almost 7500 projects in 103 countries, and in the first half of 2014 Turkish contracting companies undertook 116 projects in 33 countries” this signifies their strong construction market ability. Besides, Kipps,(2012)(21), narrates that; other building construction firms, giving an example of USA, have been flat to down over the last couple of years. As such, executives are rethinking on new strategies, and becoming more aggressive in order to grow. Many large firms’ cash balances are at historic levels, and these firms are poised to make strategic acquisitions for building capability sets, expanding into new markets, and ultimately stimulating growth. In today’s global marketplace, more construction companies are seeking growth opportunities in foreign countries. International projects may provide attractive alternatives, particularly when local markets slow down. Example, developing markets in developing countries have experienced remarkable growth in infrastructure and building, (18); hence, attracting many international construction firms from different developed countries like Spain, France, Australia, Sweden, South Korea, USA, UK, etc.

The situation is different in Sub-Saharan African countries, in which despite the rapid growth of construction industry, still building construction firms in Africa encounters competition challenges from foreign contractors, due to their level of growth and performance being very low, (26). Since competitiveness has become a centre of attraction both locally and internationally, then it has received close attention from scholars, researchers and practitioners across many industries, (39). International competition as per Sanjay,(2009)(45); is not only very important in realizing growth for both domestic and foreign construction contractors, but can no longer be avoided as far as becoming competitive is concerned. However, many of the local construction contractors have been in the construction business for over 10 to 25 years, but have remained undeveloped and less competitive because of the dynamics of global competitiveness.

In acting against global competitiveness, since independence Botswana has adopted policies in its construction industry aimed at developing its building local contractors, and recently individual consultants to enable them to compete in the global construction market, (22). However, there are many reported cases of non-performance by local building contractors resulting in abandoned projects, terminated construction contracts, and delayed project completion dates, resulting in escalation of project costs. Example, between 2001 and 2005 the Botswana government spent over BWP70 Million on abandoned projects, excluding overrun projects (CAB 32 B).

A study by CIDB,(2015)(14), highlights that in South Africa; the contractors’ development is viewed into two categories namely “grading status and performance, and quality of the work”, in which the factors, that contributes, to the sustainable contractor’s development and growth (includes financial resources, management skills, and technical capabilities). Other factors like construction experience, as well as process maturity (business and construction processes) are also relevant for growth. As organizations grow, their processes have to be continually adapted. It should be stressed, however, that all construction companies can mature over time –even if they remain at the same grade. The study, further highlighted the statistics of growth of contractors measured in terms of contractor upgrades in the past 10 years in South Africa as it is given below.

Table: 1.1: Details of upgrades of contractors that achieved a Grade of 5 to 9 in South Africa

No.	Contract Upgrade (1 or more); 2005Q3 to 2015Q2:Total				
	Maximum Grade Achieved	General Building (GB)		Civil Engineering (CE)	
		Number	Percentage(%)	Number	Percentage(%)
01.	9	32	42	66	56
02.	7 & 8	548	75	665	77
03.	5 & 6	1591	60	1705	59
	TOTAL	2171	62	2436	63

Source: CIDB,(2015).

URT,(2011); Phoya,(2012); Luvara & Mwemezi,(2017)(49) (44)(27), accounts that; in Tanzania, the construction industry continues to be the key sector in the economy, whereby its growth was marked at a rate of 10.2% in 2010, as compared to 7.5% in 2009, and it contributed 8.0% in 2010 to the GDP compared to 7.9% in 2009. Also, they reports that; in 2015, the Tanzania construction industry contributed 13.6% to GDP. However, the growth rate was 4.3% in the first quarter of 2016, compared to 23.2% in the first quarter of 2015,(27). According to NBS, the slow growth rate was due to reduce investment in Construction activities. Furthermore, Tanzania, like any other developing countries has been facing challenges in building construction sector for a number of years. These have resulted to poor growth of its local building contractors hence impeding their performances. In a struggle to curb these challenges; ever since independence there have been a number of

government led initiatives geared towards fostering the local construction industry, which included the establishment of several main regulatory bodies, such as:—

- **Architects and Quantity Surveyors Registration Board (AQRB);** was established by the Architects and Quantity Surveyors (Registration) Act No 16 of 1997, which was repealed and replaced by Act No 4 of 2010. It is the leading institution in protecting the public, promoting professionalism, excellence in construction industry for the creation and maintenance of highest possible standards of quality built environment. By 2015 AQRB had registered 89 architectural firms of which 93% were local, and 33 quantity surveying firms of which 97% were local (33).
- **Contractors Registration Board (CRB);** which is the Government Regulatory Board established in 1997 under the Contractor Registration Act No. 17 of 1997, for the purpose of setting criteria for registration of local and foreign building contractors in different classes, regulating and promoting contractors in Tanzania, as well as developing a competitive and sustainable contracting industry, with capable contractors who can deliver quality works, and observe safety in pursuing of economic growth, (50). The Board deals with all types of contractors with Building contractors being among one in the main categories. Its main objectives includes to register local and foreign contractors working in the construction industry; to set criteria for registration of contractors in different classes and review these criteria from time to time; to review the performance of registered contractors from time to time; to develop the skills and capacity of Local contractors, etc. On average CRB has been registering and upgrading over a total of 560 contractors annually; in which by January 2007 there were 4432 registered contractors on its database, among which 94% were small contractors ranging from class seven to four, comparing, upon its establishment, where CRB had only 998 contractors on its database, (54). Local contractors are registered in seven classes depending on their capacity and competence as specified in the Contractors Procedures and Criteria for Registration of 1998, while; Foreign contractors are restricted to register in Class I only as specified in the By Laws of the Contractors Registration Act 1999(Amended in 2004). Muhegi & Malongo,(2015)(33); reports that; by 2015 CRB had 3084 registered contracting firms with 97% of the firms being local, and 3% foreign, in which 95% of the local firms are in classes five to seven, with expectation of growing to higher classes.
- **Engineers Registration Board (ERB);** is the Government Regulatory Board established in 1997 under the Engineers Registration Act, No. 15 of 1997 with the responsibility of registering, monitoring and regulating engineering activities and the conduct of the engineers and engineering consulting firms in Tanzania. Muhegi & Malongo,(2015)(33); reports

that; by 2015 ERB had 90 engineering consulting firms of which 79% were local.

- **National Construction Council (NCC);** is a government institution established through National Construction Council Act of Parliament No. 20 of 1979, and became operational in 1981. Its establishment was prompted by the need to have an institution for promoting the development of the construction industry in Tanzania. NCC perform numerous functions, which includes; promoting and providing strategic leadership for the growth, development and expansion of the construction industry in Tanzania with emphasis on the development of the local capacity for socio-economic development and competitiveness; To advise the government on all matters relating to the development of the construction industry and to formulate proposals and recommendations for their implementation. To provide advisory services and technical assistance to construction industry stakeholders on all matters related to the construction industry; To promote and co-ordinate quality training for persons engaged, or to be engaged in the construction industry, and promote, conduct and co-ordinate research on all matters related to the construction industry; To promote and monitor the development and implementation of standards, regulations and codes of practices on all related to the construction industry; To promote the use of innovative technologies and the application of best practices in the construction industry; To benchmark, monitor and evaluate the performance of the construction industry; To promote quality management including provision of technical auditing services in the construction industry, etc.
- **Public Procurement Regulatory Authority (PPRA);** is a regulatory body established under the Public Procurement Act CAP 410 which was repealed by the Public Procurement Act No.7 of 2011. The Authority is charged with regulatory functions, and vested with oversight powers and responsibilities on all public procurement activities carried by all public bodies in the mainland Tanzania. Its objectives are to ensure the application of fair, competitive, transparent, non-discriminatory and value for money procurement standards and practices; set standards for the public procurement systems in United Republic of Tanzania; monitor compliance of procuring entities; and build, in collaboration with Public Procurement Policy Division and other relevant professional bodies, procurement capacity in the United Republic.

The initiatives also includes the enactment of National Construction Industry Policy of 2003. Despite such interventions, the recent situation in the construction industry market shows that foreign contractors are conducting high valued projects. Nkori,(2016)(37) claims that; foreign contractors execute very few projects but of high values, unlike local contractors which execute most

projects, but of low value. He affirms that; the construction market share is still dominated by foreign contractors for 60% with local contractors remaining with an average of 40%. Furthermore, Xueyong,(2009)(54) point out that, despite the fast growth of local construction industry in Tanzania, the capacity of local contractors is rather limited in terms of financial, plant and equipment, professional and management skills. If the industry is composed of uncompetitive players, the quest for growth, improvement in performance at the national level becomes a dream, and if this situation persists for a long period, it may result into negative impacts towards the nations' economy.

1.1. Statement of Problem

Hillebrandt,(1985) & Ofori,(2012) in Joseph,(2015)(20); reports that, the construction industry is a complex sector of the economy, because it involves a broad range of stakeholders and has wide ranging linkages with other sectors, hence contributing between 5% and 10% of gross domestic product (GDP) in all countries, at the same time employing up to 10% of the working population, which makes it ending up contributing significantly to the wealth of many economies, as measured by the GDP. With its immense contribution on country's economy, as well as increasing sophistication and complexity of construction projects, there is need for improved organization and management structure to overcome the technical complexity and unprecedented scope of works (39). Increase in globalization has made competitiveness a key factor in the present competitive world. Sanjay,(2009)(45), reports that; international competition is not only very important in realizing growth for both domestic and foreign building construction contractors but can no longer be avoided as far as becoming competitive is concerned. Moreover, (CIP, 2003) adds that; lack of sustainable growth of local building contractors is one of the challenge that has led the construction industry to continue experiencing features that includes inadequate capacity and poor quality of services and the product. This study therefore focuses on assessing the growth trend of Tanzanian local building contractors from 2005 to 2015 in order to determine, if they are growing or stunting in terms of their annual turnover; technical capacity; market ability; number of employees; average number of projects carried out per year; as well as upgrading their firm's classes.

Hence; the findings from this study, is imperative for the local building contractors in Tanzania, to know and understand the growth challenges available, and strategies to tackle and sustain their growth in the construction. This will be addressed through questions like:- How many local building contractors have been registered and upgraded their classes between 2005 and 2015, and what are the strategies used to improve their firm growth? What are the challenges hindering competitiveness of local building contractors and why? Who are the main actors responsible for the growth of local building contracting firms and what are their roles? What are the best measures that can be enacted to improve growth of local building contractors?.

2.0. LITERATURE REVIEW

The literature review gives a clear understanding on the meaning of a contractor, local Contracting firms, Small and Medium Enterprises (SME's), as well as experiences from developed countries (United Kingdom, and USA) and developing countries (South Africa and China) on issues relating with the growth trend of local building contractors, by shading light on challenges hindering competitiveness of local building contractors and their measures, as well as possible strategies used to improve their firms' growth that may be used to achieve sustainable growth.

2.1. Contractor

According to section 2(a) and 2(b) of the Contractors Registration Act of 1997, Contractor means either; any person who for the reward, or any other valuable consideration undertakes the construction, installation or erection, for any other person, of any structure situate below, on or above the ground or other work connected therewith the execution for any other person, of any alterations or otherwise to any structure or other work connected therewith, where such person undertakes to do any such work. **OR** Any person who himself as a developer or investor, undertakes the construction erection, installation or alteration of any structure for public use or otherwise, situate below, on or above the ground or other work connected therewith or the execution of any alteration or otherwise to any structure, for public use or otherwise, or other work connected therewith, where such person undertaking to do such work. In both meanings, a person as a contractor; he/she supplies the material necessary for the work or is authorized to exercise control over the type, quality or the use of material supplied by any other person. Moreover he/she supplies the labour necessary for the work or is authorized, on behalf of the person for whom the work is undertaken or any other person, to employ or select for employment workmen to assist him in the execution of the work. According to the Public Procurement Act of 2004; Contractor mean a company, corporation, partnership or individual person engaged in civil, electrical or mechanical engineering, or in construction, or building work of any kind including repairs and renovation and who is according to the context a potential party or the party to a procurement contract with the procuring entity, (51).

2.2. Local Contracting Firms

CRB,(2016)(12)(13), defines local contracting firms (building, civil, electrical and mechanical) as those firms, whose its majority shares, are owned by citizens of the United Republic of Tanzania. Local building contractors are divided into seven classes, that are ranking from class one up to class seven. These classes are further grouped into three levels as shown in the table 2.1;

Table: 2.1: Levels of Local Contractors

No.	LEVEL	ALTERNATIVE NAME	CLASS
01.	I	Small Contractors	Class VI
			Class VII
02.	II	Medium Contractors	Class III
			Class IV
			Class V
03.	III	Large Contractors	Class I
			Class II

Source: CRB,(2016).

From table 2.1; Small contractors comprises contractors registered in class seven and class six; Medium contractors comprises those registered in class three, four and five; while Large contractors involves those who are registered in class one and two. With regard to the classification of local building contractors, the CRB provides the class limit based on single contract value in each class, that one can execute as shown in the table 2.2; whereby local building contractors are registered in seven classes depending on their capacity and competence as specified in the Contractors' Procedures and Criteria for Registration.

Table: 2.2: Single contract value limit for each class of building contractors

No.	CLASS	I	II	III	IV	V	VI	VII
01.	Single Contract Limit	No Limit	3,000	2,200	1,200	600	200	120

Source: CRB,(2016).

2.3. Small and Medium Enterprises (SME's)

The SME's nomenclature is used to mean micro, small, and medium enterprises. In the context of Tanzania, small enterprise are mostly formalized, undertakings engaging between 5 and 49 employees or with capital investment from 5 to 200 Million Tanzania shillings, (48)

2.4. Growth Trend Experiences From Developed Countries

United States of America (USA);— The construction industry is one of the biggest industries in USA, accounting more than 9% of the nation's gross domestic product. Paz,(2006)(40) reports that; the USA construction industry is highly fragmented, containing nearly 700,000 large and small companies. Just like other countries in the world, local building contractors have been facing challenges in course of construction business, in USA. A recent study by Strischek & McIntyre,(2008)(47), highlighted a huge number of business failures in the USA construction industry, in which they reported on the number of contractors for the period of 2004-2006 dropping from 850,029 in 2004 to only 649,602 in 2006. The challenges causing the drop, claimed that; lack of experience, lack of capital, managerial weakness are some of the drawbacks limiting the growth of small building contractors in USA(31). Following on the challenges discussed above, several strategies have been implemented

by building contractors in the USA so as to ensure growth of their firms. The study conducted by Paz,(2006)(40), identified joint venture, government support by helping contractors to access funds, emphasizing contractors to attend seminars and works shops as one of the ways of improving growth of contractors in the USA.

United Kingdom (UK);— Rees,(2013)(42), reports that; construction is one of the largest sectors in the UK economy which contributes almost £90 Billion to the UK economy (or 6.7%) in value added. UK construction companies tend to be smaller and collaborate less in comparison to many European countries which may make accessing foreign markets more difficult (42). While accessing foreign markets and increasing export activity is one driver of growth, there are a number of other factors which, if deployed adequately and efficiently, can affect growth and drive competitiveness of the UK building (42). One factor is the access to finance, whereby the study conducted by Rees,(2013)(42) reveals that; the ability of building companies to access the right type of finance is vital for them to operate and grow. The evidence shows that construction contracting SME's face more difficulties than other SME's in accessing finance from banks (42). This is partly because construction businesses are considered to be of higher risk due to low levels of fixed capital and smaller firm size. He further claims that, late payment is a particular problem for construction firms, and construction contracting SME's rely on trade credit to smoothen cash flow during the period between doing the work and receiving payment. Moreover, construction contracting SME's are often unaware of finance initiatives and existing government support programmes available.

Another factor is the innovation capability: which is essential for firms' competitiveness, survival and growth. It can drive competitive advantage, improve productivity and enable companies to capture higher value components of the value chain (42). Moreover, a number of crucial factors which determine successful delivery growth of a contracting firm were analyzed. These include: equitable financial arrangements and certainty of payment; early contractor engagement, and continuing involvement of the supply chain in design development; strong relations and collaboration with suppliers, and capability for effective site management, including the ability to respond to change flexibly. Rhodes,(2015)(43) point out that following the Great Economic Recession in 2008 construction sector was affected, hence causing building contractors also to be affected by shortage of working opportunities. Due to that reasons the government of UK decided to set policies like "The Coalition Government Policy" named Construction 2025, and Plan for growth which aimed at improving construction business practitioners including, building contracting firms. After few years a flat growth of building contracting firms was marked (43).

2.5. Growth Trend Experiences From Developing Countries

China;— is one of the developing countries in the world performing well in building construction business. Example,

the Chinese National Council for Construction,(2015)(34), reports that; the eligible building contractors for the year 2015 as registered from 1st October, 2014 to 30th April, 2015 were 1300 contractors. The building contractors are registered in grade 1, grade 2, grade 3, grade 4, grade 5 and grade 6. The majority of these contractors are found in small and medium sized contractors, where small contractors comprises grade 6 and 5, medium class comprises grade 4 and grade 3, while large class consist of grade 2 and grade 1.

Table: 2.5: Registered eligible building contractors in China, for the year 2015

No.	Grade	Number of Contractors
01.	1	48
02.	2	24
03.	3	45
04.	4	161
05.	5	296
06.	6	726
	TOTAL	1300

Source: National Council for Construction of China,(2015).

From table 2.5; 72 contractors follow under large contractors, 206 contractors follow under medium contractors while 1022 contractors are categorized as small contractors. (Yang-tao at el,2007)(53), affirms that; understanding an organization’s competitiveness and hence finding the competitive strategy is important for the success of a business, whereby improving competitiveness is one of the important objectives for construction businesses and is the driver of formulation of a competitive strategy. Building contractors in China have been using different competitive strategies which have ended up stimulating their performances to move from lower grade to higher grades and hence growth. (Yang-tao at el,2007)(53), identifies key competitive indicators which a firm can work on and stimulate its growth, and if not well adopted they can cause a firm to fail. These competitive indicators include financial ability, corporate image, technical ability, market ability and management skills. These attributes can be considered as empirical indicators for determining a firm’s specific resources, with heterogeneity and immobility, which can be used for generating sustained competitive advantage (53).

South Africa;— Mofokeng,(2012)(28), reports that; the South African construction industry, is an industry that is increasingly becoming more complex in terms of growth, due to the amount of investments made by the public, and private sectors in construction projects. He adds that; the industry’s fortunes tend to fluctuate with the general economy, and it has cyclical nature and quick response to the changes in the economy. As South Africa does not have regulatory body that screens people who want to open up construction business, many people tend to take opportunities and opening up their own construction companies which usually fall under the small and medium contractors’ categories, (28). As pointed out in small and

medium enterprise development policy by Ministry of Industry and Trade,(2002), local contractors and consultants in South Africa take 85% of the market share, despite of this dominance, Cattel at el,(1997)(8) also points out that; emerging contractors are still high in the developing agenda for the construction industry in South Africa, due to housing problem being most acute in the deprived black suburbs, and the sustainability of the average emerging contractors to house building rather than to more complex or extensive projects requiring advanced management techniques.

2.5.1. Local Building Contractors Development Needs in South Africa.

With regard to what has been stated earlier, that local contracting firms are dominating in the construction industry but for only small projects, the South African government decided that, there was a need to develop such firms so that they can be able to execute large projects. CIDB,(2015)(14), reports that; one of the development needs of building contractors in South Africa was to upgrade status of their firms, given the fact that the country’s growth of building contractors is measured in different aspects, one being upgrading status. Details of upgrade of contractors that achieved a Grade of 5 to 9 in general building within the past 10 years is given in table 2.3. As pointed out by CIDB,(2015)(14), the information given refers to upgrades from a lower grade to the maximum grade achieved, and it claimed that around 60% of all contractors have upgraded one or more grades over 10 years.

Table: 2.3: Local building contractors upgrade from 2005 to 2015, in South Africa.

No.	Maximum Grade	Number
01.	9	32
02.	7 & 8	548
03.	5 & 6	1591
	TOTAL	2171

Source: CRB,(2015).

In addition, CIDB,(2015)(14), highlighted a detailed breakdown of building contractors who upgraded between 1 and 2 or more grades over 10 years, whereby 50% of contractors managed to upgrade in those grades, while only 10% managed to upgrade 4 or more grades in 10 years as shown in table 2.4.

Table: 2.4: Local building contractors upgraded (by 1 or more grade) from 2005 to 2015.

No.	Maximum Grade	1 or More	2 or More	3 or More	4 or More	5 or More
01.	9	42%	30%	13%	11%	8%
02.	7 & 8	75%	53%	32%	13%	6%
03.	5 & 6	60%	44%	27%	8%	0%
	TOTAL	62%	46%	28%	9%	2%

Source: CIDB,(2015).

As shown in table 2.4; the majority of local building contractors in South Africa have upgraded their firms once, and only few firms have upgraded 5 times or more. This indicates that building contractors have been taking measures to ensure growth of their firms by upgrading to higher grades, un-smoothly due to several challenges.

2.5.2. Challenges Facing Building Contractors in South Africa

South Africa like any other developing countries has been facing challenges in the construction industries. CIDB,(2011) (15) confirms on the growth challenges facing building contractors in South Africa, which include:—

- a) Lack of skills; as with small enterprises in other sectors of the economy, many contractors lack business, financial management skills, project management, estimating, tendering and the technical skills specific to construction. This is especially pertinent for emerging contractors.
- b) Financial constraints and limited access to funding, trade credit, guarantees and performance bonds and high interests when these are available,
- c) Intense competition, especially in the lower scales of construction enterprises, and difficulty in competing with larger construction firms,
- d) The fragmentation of the construction process which has an adverse effect on the industry performance,
- e) High turnover among skilled workers owing to uncertainties in job opportunities,
- f) Short term nature of the work, which makes it hard to develop, and implement long-term strategies and growth plans,
- g) Bureaucratic or overly complicated contract award, and contract administration procedures,
- h) Lack of professional advisors and consultants, and the reluctance to use them due to perceived expensive fees, in where they are available.
- i) Lack of finance or financial awareness, as well as capital equipment such as vehicles, heavy machinery, and scaffolding.
- j) Uncertainties in supplies and prices of materials, allied with generally non-existent or poor relationships with suppliers.
- k) Increase on the cost of building material which leads to higher tender valuations and poor performances.
- l) Little knowledge on tendering procedures which makes the emerging contractors to submit the lower tender prices.

2.5.3. Steps Undertaken by the South African Government

The government reconstruction development programme (RDP) established in 1994, contains specific objectives relating to the support and development of emerging contractors, in which key factor in the housing strategy are the improvement in the capacity of small and medium scale black builders and the promotion of labour intensive

construction. Specific interventions objectives include provision of special funds for small and medium scale enterprises, support in the form of loans for bridging finance, grants for training and the provision in delivery systems for the support of black builders. CIDB,(2011)(15), avails the national strategies for sustainable contractor growth and development which includes:—

- a) Improving access to work opportunities; e.g. by managing public sector demand to ease peaks and troughs in construction work; packaging projects into smaller sizes that can be taken by a contractors; applying contractor pre-qualification measures; encouraging sub-contracting; improving tendering procedures and simplifying tender documentation.
- b) Improving the business environment; e.g. by relaxing performance bond and retention requirements; providing loan guarantee schemes; offering mobilization allowances to selected contractors, providing information and financial training to contractors; improving contractors access to materials, tools and equipment and improving payment procedures.
- c) Offering training and advisory services; e.g. by developing and implementing training schemes that are appropriate and convenient to contractors and motivating contractors on the value of training schemes.
- d) Facilitating networking and sub-contracting opportunities within the industry, and closer relationships with professional and industry bodies and the government
- e) Provision of training opportunities and outreaching programmes, for contractors,
- f) Adopting procurement strategies that encourage joint venturing with more established contractors.

Several key legislative imperatives underpin Contractor Development Programmes in South Africa, (15). There are various policies which have been formulated for supporting emerging and small contractors to grow. For instance, the Siyanyuka Contractor Enhancement Programme which was established in 2008 with the aim of developing small and medium contractors, has been performing well in by growing them into sustainable contracting enterprises.

3.0. METHODOLOGY

The methodology and research design used in this study was descriptive field survey methodology, in which apart from literature review; instruments like questionnaire and interview were used by approaching various building main contractors. Descriptive design was used to make a detailed assessment of the growth trend of local building contractors for the period of 2005-2015 in Dar-Es-Salaam, Tanzania. As identified by Mugenda and Mugenda,(1999)(32), and Kothari,(2004)(23); descriptive research is a process of collecting data in order to test hypothesis or to answer questions concerning the current status of subjects in the study. Basically, literature review related to the of growth of

building firms, construction industry, local contractors, and responsibilities of Contractors Registration Board(CRB) in construction industry was conducted to provide knowledge, and help in justifying the problem. In this study, the questionnaires were prepared in accordance with objectives of the research. The questionnaire was divided into two parts; first part requested on general information about respondent, second part focused on identifying the main actors responsible for the growth of local building contractors; studying the number of local building contractors registered and upgraded their classes between 2005 and 2015 and strategies used to improve their firms' growth; while evaluating the factors hindering competitiveness of local building contractors; and suggesting the measures to be enacted in improving the growth of local building contractors.

3.1. Questionnaire Design

This study is limited to the growth of local building contractors for the period of 2005 and 2015, strategies used to improve their firms' growth; as well as the factors hindering their competitiveness in Dar-Es-Salaam, Tanzania. The study was carried out in Dar-Es-Salaam, Tanzania due to time limit; financial difficulties; and majority building construction companies being located in the region. The study considered only the local building contractors registered under Class I to Class VII as large, medium, and small contractors. Furthermore, the information regarding to local building contractors was collected from Contractors Registration Board (CRB). Through a quantitative approach, data used were acquired with a questionnaire survey. The questionnaire which had a close ended questions, was compiled based on the refined list of; strategies used to improve their firms' growth; Factors hindering competitiveness of local building contractors; and Main actors responsible for their growth, after a pilot study. Closed-ended questions were used as they are very convenient for collecting factual data and are simpler to analyze because the range of potential answers is limited, (1). However, open ended questions were also incorporated to get further opinions from respondents. The pilot was carried out to mark better the quality of the questionnaire and improve reliability of the questions.

The respondents were asked to provide their views on the most influencing strategies and factors using a 5-point likert scale. In a scale, the respondent was asked to respond to each of the statements in terms of several degrees, normally five degrees, (23). The ratings used were depending on the data needed, whereby for the strategies used to improve their firms' growth; and Factors hindering competitiveness of local building contractors; Strongly agree = 5; Agree = 4; Average = 3; Disagree = 2; and Strongly disagree = 1, were used. This type of scale has been found to be acceptable in other construction management research. For the Main actors responsible for the growth of local building contractors, a tick [✓] on appropriate stakeholders that one considers more important for a successfully growth of local building contractors in Tanzania, was used.

3.2. Data Collection

In general the data collection process through this method was quite successful. Multiple sources of evidence were used to collect data. Literature was reviewed to determine the strategies used to improve their firms' growth; Factors hindering competitiveness of local building contractors, and the main actors who are important for a successfully growth of local building contractors in Tanzania. Moreover, Questionnaires survey was used to collect primary data from CRB, and local building contractors, on the same. Furthermore, secondary data concerning the local building contractors was collected from CRB. The questions were on seeking the number local building contractors registered and upgraded their classes between 2005 and 2015; the strategies used to improve their firm growth; the factors hindering competitiveness of local building contractors; main actors responsible for the growth of local building contracting firms and what are their roles; and measures that can be enacted to improve growth of local building contractors. All respondents had different years of experience in the construction industry.

3.3. Response to Questionnaires

This study consisted of questionnaires that required information from different respondents which included local building contractors from Class I to Class VII. The general response from questionnaires distributed and returned from building local contractors is as shown on table 3.1, whereby a total of 40 questionnaires were distributed to 40 selected building local construction firms out of 1062, as seen in Table 3.2, and 35 of the distributed questionnaires were returned, in which; large level has 100% of response; medium level has 88% response and small level 84% response. This responses amount to 88% which was used to represent the targeted sample in the study, while 12% were not returned. All questionnaires were properly filled.

Table: 3.1: Summary of Respondents Used During Data Collection Processes

No.	Respondents	Questionnaires Distributed	Questionnaires Returned	Response Rate(%)
01.	Large Level	5	5	100%
02.	Medium Level	16	14	88%
03.	Small Level	19	16	84%
	TOTAL	40	35	88%

Source: Authors,(2017).

The study used both probability and non-probability sampling method, in selecting the population sample, whereby under non-probability sampling, purposive sampling was used to determine the valid information from Contractors Registration Board(CRB), concerning the local contractors in construction market today. Meanwhile, under probability sampling, disproportionate stratified sampling as it is the simplest method, and high statistical precision; nature of the population as the number is known, and

contractors' list is available; cost constraint and time saving; and samples are categorized, hence may have the same characteristics. In this study, the researcher used a local building contractors list, from Contractors Registration Board(CRB), to chooses representative from each level with different class interval. The classes are categorized as large level (class I-II), medium level (class III-V) and small level (class VI-VII). Total number of the each category as seen in Table 3.2, was used to find the sample size, with large, medium, and small level having 59, 422 and 581 contractors respectively, which makes a total number of local building contractors in Dar-Es-Salaam region to be 1062. Using sampling design below, a sample of 40 respondents was obtained.

$$K = N \div n$$

Note: N = Total number of population belongs on each Category i.e. from Class I up to Class VII local building contractors in Tanzania
 n = Number of selected sample on each category.

$$K = \text{Sampling interval.}$$

Table: 3.2: Categories and classes of local building contractors

No.	CATEGORY	CLASSES	REGISTERED CONTRACTOR	SELECTED (n)
01.	Large Level	I	32	5
		II	27	
		III	23	
02.	Medium Level	IV	112	16
		V	287	
03.	Small Level	VI	290	19
		VII	291	
TOTAL		—	1062	40

Source: CRB,(2016).

4.0. RESULTS, ANALYSIS AND DISCUSSION

Xueyong,(2009)(54), reports that; in Tanzania, the constructing industry contributes nearly 16% of the country's GDP and ranks the third among the various economic sectors, with building contractor whom 81% as small in size being one of the, major contributors, hence making these study more interesting. Main parameters used for investigation in study included; determining how many local building contractors have been registered and upgraded their classes between 2005 and 2015, and the strategies used to improve their firm growth; revealing the factors hindering competitiveness of local building contractors, and the main actors responsible for the growth of local building contracting firms and their roles. These paved the way to provide probable recommendations of best measures that are to be enacted to improve growth of local building contractors. Data collected, analyzed and presented using Microsoft Word and Excel (Tables, Bar charts and Pie charts) in order to get more accurate computation that will

map out a pattern or relationship between measured or comparable variables. The study adopted descriptive statistical method where analysis was done based on the frequency of occurrence to analyze the data based on the research questions depending on how the respondents have responded to the questionnaires. Analysis on the main parameters was done by Descriptive Statistical Method, to obtain their cumulative means score and ranking them accordingly

The value of Cumulative Mean Score is calculated by:—

$$\sum (f \times S) \div N$$

Where; f = frequency of response for each score

S = Score given to each cause,

N= Total number of respondents.

Table: 4.1: Mean score comparison table

No.	MEAN	RANKING
01.	4.1 - 5.0	High
02.	3.1 - 4.0	Medium
03.	1.0 - 3.0	Low

Source: Authors,(2017).

4.1. Distribution of Respondent Based on Work Experience.

Table 4.2; shows the response of the study questionnaire with regard to the work experience of contracting firms. The study revealed that, majority of respondents from large level i.e. 60%, have been in construction businesses for more than 10 years while majority of small and medium level amounting to 50% each are in construction businesses for 5 up to 10 years. The study further indicates that an average 17.14% of respondents have work experience between 1 to 5 years in the construction industry; while 45.72% of them have 5 to 10 years of work experience and 37.14% have more than 10 years as work experience in the construction industry. This indicates that most of local building contractors have been in the construction business for 5 up to 10 years. As pointed out by CIDB,(2015)(14), work experiences of more than 5 years is significantly enough for building contracting firms registered in small and medium grade to have been upgraded to higher grades.

Table: 4.2: Respondent based of the working experiences

No.	Respondents	Between 1 and 5 Years		Between 5 and 10 Years		More than 10 Years	
		F	%	F	%	F	%
01.	Large Level	1/5	20	1/5	20	3/5	60
02.	Medium Level	2/14	14	7/14	50	5/14	36
03.	Small Level	3/16	19	8/16	50	5/16	31
TOTAL		6/35	17.14	16/35	45.72	15/35	37.14

Source: Authors,(2017).

4.2. Number of Local Building Contractors Registered and Upgraded their Classes Between 2005-2015

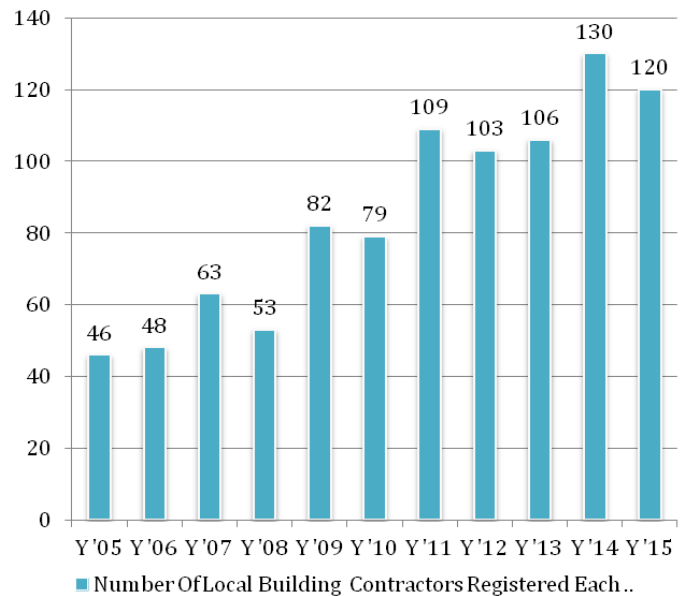
According to the data obtained from Contractors Registration Board(CRB), the statistics indicates that from 1st January, 2005 to 31st December, 2015 a total number of 939 local building contractors were registered. Malongo,(2013) (30) claimed that, currently the Act restricts local category to be registered up to class 4 only. Progression to class 3 up to class 1 is based *interalia* on the experience and turnover acquired by the firm after first registration.

Table: 4.3: Number of eligible local building contractors registered between 2005 - 2015

No.	YEAR OF REGISTRATION	CLASS				TOTAL
		IV	V	VI	VII	
01.	2005	0	4	14	28	46
02.	2006	2	7	9	30	48
03.	2007	2	8	23	30	63
04.	2008	4	15	15	19	53
05.	2009	8	17	16	41	82
06.	2010	4	13	24	38	79
07.	2011	6	29	34	40	109
08.	2012	13	28	36	26	103
09.	2013	9	31	40	26	106
10.	2014	10	35	52	33	130
11.	2015	10	32	48	30	120
GRAND TOTAL						939

Source: CRB,(2016).

As discussed earlier, registration of local category is restricted up to class 4 only, in that sense registration is only allowed to small level and medium level. From Table 4.3; the data indicates that, 652 of local building contractors amounting to 69.4% had been registered in small level, while 287 of them which is equivalent to 30.6% are in medium level. This reflects that local building contractors tend to start their construction business in small level and grow to higher level. The growth trend was also indicated in Figure 4.1; which revealed that since 2005, there was a significant increase in the number of registered local building contractors. However, a decreasing trend of registration was marked in year 2008, 2010, 2012 and 2015 as compared to their relatively previous year. This could be attributed by a reduced number of work opportunities in those respective years. Nkori,(2016)(37), claimed that in the year 2015 there was a significant decrease in the number of registered local building contractors in Tanzania as compared to year 2014. The registered building contractors in 2014 and 2015 were 390 and 298 respectively. Moreover, Nkori,(2016)(37) pointed out that; construction sector did not do well in the year 2015 especially due to fewer work opportunities and suspension of some ongoing projects caused by the delay of payments from the Government.



Fig#4.1: Yearly registration trend of the local building contractors in Dar-Es-Salaam, Tanzania, Source: CRB,(2016).

Contractor Registration Act No. 17 of 1997, stipulates the criteria for registration for local building contractors. Bairi,(2014)(3) affirms that; the registration criteria are based on ownership of plant and equipment, manpower, financial capacity and experience of contractors. The class of a contractor therefore indicates the capacity and competence of that contractor; and consequently, the class limit indicates the maximum value of a single project that can be executed competently by a contractor in the respective class (3). In making sure that all local building contractors stick on their class limit alongside maximum project value; they are regulated by the 1999 Regulation 20(5) of the Contractors Registration By-laws, it is an offence for any contractor to undertake a project whose value is above the class limit.

Then therefore, as upgrading is one of the indicators for growth of local contractors, and due to the fact that, first registration of local contractors is restricted up to class 4 only, there is a need for local building contractors to upgrade the class of their firms to higher classes. Upgrading is an evidence indicating that a firm is growing in terms of experiences, technical capacity as well as it is an evidence that turnover of a particular firm has significantly increased (14). Moreover, the data obtained from CRB, which indicates that out of 939 of all local building contractors registered from 2005 to 2015 it's only 117 local building contractors which is equivalent to 12.5% have upgraded their classes, as seen in Table 4.4. This makes the majority to of local building contractors to remain in small and medium levels.

Table: 4.4: The number of local building contractors upgraded their class between 2005 to 2015, in Dar-Es-Salaam, Tanzania, and the maximum class reached.

No.	MAXIMUM CLASS REACHED	YEAR UPGRADED										TOTAL	
		'05	'06	'07	'08	'09	2010	2011	2012	2013	2014		2015
01.	I	0	0	0	0	1	1	2	2	1	2	1	10
02.	II	0	0	0	0	0	0	2	0	1	0	5	8
03.	III	0	0	0	0	0	1	3	1	4	2	0	11
04.	IV	0	1	0	1	2	0	6	6	5	9	6	36
05.	V	0	2	1	6	3	8	5	2	9	2	4	42
06.	VI	0	0	1	1	1	2	0	3	0	1	1	10
	TOTAL	0	3	2	8	7	12	18	14	20	16	17	117

Source: CRB,(2016).

Local building contractors lack sustainable growth particularly in terms of upgrading their firms to higher class levels, such that more than 80% have not been upgraded their classes since first registration. This can be verified in Table 4.4. which indicated that; there are those who have upgraded once, twice and others have upgraded three times. Details show that out of 117 firms, 99 local building contractors amounting to 85% have upgraded once, whereby 12 contractors amounting to 10% have upgraded twice and only 6 of them which equals to 5% have upgraded three times. In addition to that, it was noticed that, it takes some steps for local building contractors to reach at higher classes, due to the fact that, for those who have upgraded once only 9% reached to large level while 81% were in medium level and 10% were still in small level. Likewise for those who have upgraded twice, 42% were in large level and 58% were in medium level. On the other hand, for those who have upgraded three times, 67% and 33% were in large level and medium level respectively as shown in Table 4.5.

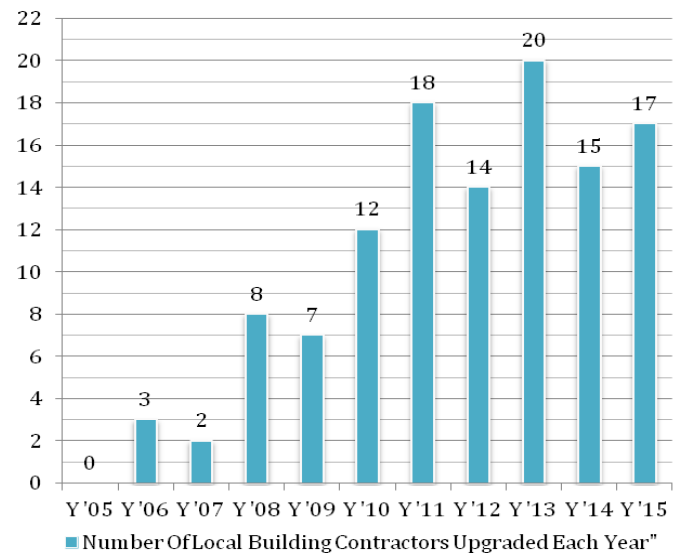
Table: 4.5: Distribution of local building contractors upgraded their classes once up to three times.

No.	Maximum Class Reached	Contractors Upgraded Once		Contractors Upgraded Twice		Contractors Upgraded Thrice	
		Number	%	Number	%	Number	%
01.	I	4	4%	3	25%	3	50%
02.	II	5	5%	2	17%	1	17%
03.	III	8	8%	1	8%	2	33%
04.	IV	31	31%	5	42%	0	0%
05.	V	41	42%	1	8%	0	0%
06.	VI	10	10%	0	0%	0	0%
	TOTAL	99	100%	12	100%	6	100%

Source: Authors,(2017).

Data indicated that; it is difficult for local building contractors to register and upgrade their classes within the same year, as there is no any local building contractor upgraded in year

2005. Generally looking at the upgrading trend in Figure 4.2; it was marked that there is no consistent increase or decrease in number of upgrading as in some years the number was increasing or decreasing compare to its previous year. Moreover, findings showed that; the majority of local building contractors upgraded their classes between 2010 and 2015, due to being in the construction business for more than 5 years which is enough for them upgrade.



Fig#4.2: Yearly upgrading trend of local building contractors in Dar-Es-Salaam, Tanzania, Source: CRB,(2016).

4.3. Strategies Used by Local Building Contractors to Improve Growth of their Firms.

Local building contractors were asked to indicate the strategies used to ensure growth of their firms, in responding to this question some of the strategies were listed and contractors were required to rank and indicate against each strategy using the scale below;— *Strongly agree SA* = (5); *Agree AG* = (4); *Average AV* = (3); *Disagree DA* = (2); *Strongly Disagree SD* = (1). T

Table: 4.6: Response on strategies used by registered local building contractors, to improve their firms' growth. It also shows the analysis of the collected data in which, F-frequency and % - percentage.

No.	STRATEGIES	SA-(5)		AG-(4)		AV-(3)		DA-(2)		SD-(1)		Respondents	Mean Score	Rank
		F	%	F	%	F	%	F	%	F	%			
01.	Acquiring new equipments	22	63	8	22	3	9	0	0	2	6	35	4.4	2.5
02.	Employing right personnel	20	57	10	28	3	9	2	6	0	0	35	4.4	2.5
03.	Participating in tendering to get work	25	72	5	14	4	11	1	3	0	0	35	4.6	1
04.	Joint ventures with other contracting firms	16	46	9	26	6	17	4	11	0	0	35	4.1	6
05.	Seeking Sub-	15	43	10	28	5	14	3	9	2	6	35	3.9	7

	contract work													
06.	Training on procurement procedure	18	51	10	28	3	9	2	6	2	6	35	4.2	5
07.	Training on taxation issues	4	11	2	8	6	17	8	23	15	43	35	2.2	9
08.	Conducting study tours	2	7	5	14	4	11	4	11	20	57	35	2.0	10
09.	Cooperation with stakeholders e.g. clients	21	51	7	9	4	11	3	9	0	20	35	4.3	4
10.	Joining in contractors' associations	10	0	14	0	6	0	2	0	3	0	35	3.7	8

Source: Authors,(2017).

The results from Table 4.6 shows that; those with mean score between 4.1 and 5.0 are considered to be the most used strategies, in which the highly used strategies include; participating in tendering to get works, acquiring new equipment, employing right personnel, cooperation with stakeholders, training on procurement procedures and joint ventures with other contracting firms.

Participating in Tendering to Get Works:— from Table 4.6, participation in tendering to get work was the most highly ranked as a strategy used by local building contractors to improve growth of their firms with a mean score of 4.6; indicating that for local building to grow, they have to access work opportunities through various tendering procedures. CIDB,(2013) report that; in South Africa, without accessing work opportunities there can be no improvement for emerging contractors. This is also affirmed by Bairi & Nkori,(2013) that; accessing construction work opportunities is one among the initiatives to improve skills development and growth of the local building contractors.

Acquiring New Equipment:— the results indicate that acquiring new equipment is a paramount strategy to improve the growth of local building contractors having a mean score of 4.4. According to CRB,(2014)(10), acquiring of new equipment is one of the criteria for upgrade of class for contracting firms, implying once local contractors want to move to higher classes from law classes; having equipment that are required in such a particular class, is a priority number one. On the other hand by upgrading a class implies that such firm is growing.

Employing Right Personnel:— was one among the highest ranked strategy used by local building contractors to improve growth of their firms, as it scored a mean score of 4.4. It is also claimed in various writings that; for a company to grow, recruiting different skilled personnel with various professional, as related to the firm purpose or objective should be taken into consideration. Example Xueyong,(2009) (54) suggested that; in order to minimize challenges facing local building contracting firms, qualified skilled labour, accounting and financial staff, engineers, administrative foremen, as well as managerial personnel must be recruited.

Cooperation with Stakeholders:— as justified by respondents, with a mean score of 4.3 and ranked the fourth, cooperation with stakeholders come among the highly used strategy by local building contractors to ensure growth of their firms. Cooperation among local contractors and

different stakeholders particularly clients should be strongly taken into consideration. According CRB,(2016)(12)(13) the capacity building of local contractors cannot be done by local contractors themselves but rather needs help from other stakeholders in the construction industry.

Training on Procurement Procedures:— from Table 4.6. this strategy has a total mean score of 4.2. As described by CRB,(2014)(10), it was claims that “some contractors are not preparing themselves well by understanding the scope of works and drawing provided in the tendering documents before preparing their tenders and sometimes they manage to get tender in rather lower prices even than engineers estimates”. Therefore, by training on different procurement procedures, this challenges could be minimized, hence avoiding their tender to be rejected of being very low as provided in the Regulation 17 of PPRA of 2013. Besides, the strategy is also emphasized by the Government of South Africa, who used it as one of the step taken to improve the growth and development of their emerging small and medium sized contractors, (15).

Joint Ventures with Other Contracting Firms:— results from Table 3.6, shows that joint ventures is one among the highly ranked strategy used by local building contractors having a mean score of 4.1 and ranked the sixth. Due to the fact the majority found in most Sub-Saharan Africa, are small and medium sized firms, it obviously they cannot take a project of high value. Therefore joint venture is very important as help to achieve synergies and hence growth. This is also justified by CIDB,(2013)(16) in the study titled “*Subcontracting Development in South Africa*”, in which joint ventures was one of the major proposed to improve subcontracting works among building companies. Likewise, the study conducted by Paz,(2006)(40) identified joint venture to be one of the solutions to the problem facing small building contractors in USA. Moreover, during the annual consultative meeting of CRB,(2013)(9), it was claimed that; since the majority of local building contractors are small firms hence joint ventures should be promoted to improve their building capacity. In addition, the results from the findings reveal that there are some of the averagely strategies used by local building contractors to improve growth of their firms. These strategies are those scored a mean score of 3.1 to 4.0, namely seeking sub-contract works and joining in contractor’s associations.

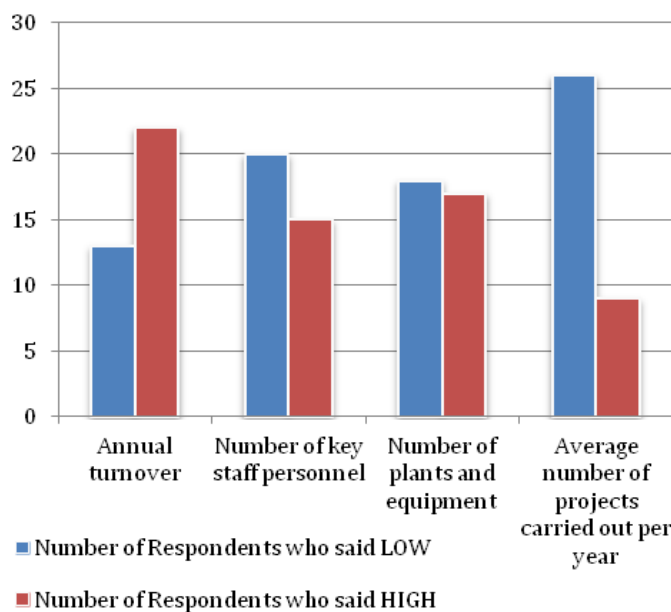
Seek Sub-Contract Work:— CIDB,(2011)(15) identified seeking sub-contracting works as one of the strategies to improve the development of emerging contractors in South Africa. The same case was also identified from the findings whereby local building contractors claimed that they do seek sub-contracting works as means of improving their firm’s growth. This strategy scored a mean score of 3.9. Sub-contracting can be done by small and medium sized contractor to seek work from main contractors.

Joining in Contractors Associations:— the results from findings also indicate that, local building contractors join in various contractors associations as a means to improve their growth. According to CRB,(2015)(11) currently there are three active main associations of contractors in Tanzania,

namely; Contractors Association of Tanzania (CATA), Tanzania Civil Engineering Contractors Association (TACECA) and Association of Citizen Contractors Tanzania (ACCT). It's further highlighted that, all these organizations play a very important part role as far as advocacy, capacity building as well as integrity in public procurement. On the other hand, the results from the findings identified the strategies which are not used by local building contractors in the course of improving their growth. These strategies scored a mean score of 1.0 up to 3.0 and these include; training on taxation issues which scored a mean score of 2.2 and conducting study tours which scored a mean score of 2.0. The fact of local building contractors not considering these strategies as a way to improve growth of their firms could be attributed by little knowledge among them.

4.4. Key Indicators of Growth of Local Building Contractors

Since main objective of the study was to assess the growth trend of local contractors for the period of 10 years from 2005 to 2015, a general question was raised through questionnaire to local building contractors aiming at gathering the information concerning the previous status, and current status on key aspects of growth in their firms. Local building contractors were required to indicate whether the current status was low or high as compared to previous status against each criterion, as seen in Figure #4.3.



Fig#4.3: Response of local building contractors regarding the current status of key indicators of their firms growth, **Source:** Authors,(2017).

Annual Turnover:— the result from Figure 4.3 shows that; 22 out of 35 respondents argued that, their current Annual Turnover was high, while 13 respondents out of 35 claimed that their current Annual Turnover was low. This indicates that there has been a significant increase in local building contractor's annual turnover.

Number of Key Staff Personnel:— findings indicated that; there is a decreasing rate in number of key staff personnel in local building contracting firms, in which 20 out of 35 local building contractors responded that; the number of key staff personnel in their firms is low. This indicates that contracting firm only keeps skilled personnel when construction works are available, and disengage with them when they do not have work, due to financial difficulties

Number of Plants and Equipment:— the result from Figure 4.3 indicates that; there is also a decreasing rate in the ownership of plants and equipment for local building contractors, as per respondents caused by the decrease on the current status of owning plants and equipments. This can only mean that; the majority of local building contractors, does not own plants and equipments but rather tend to hire at the time they get projects to execute.

Average Number of Projects Carried Out Per Year:— findings reflects that there is a serious dropping of number of projects carried out per year by local building contractors, whereby 29 out of 35 respondents claimed that; currently the average number of projects carried out in their firms is relatively low, due to significant decrease of the building construction work opportunities, and the availability of stiff competition from foreign contractors and/or contractors in large classes. Generally, basing on the results from Figure 4.3; it is argued that, the strength of local building contractors in terms of technical ability and management ability is not sustainable. Yang-Tao at el.,(2007)(53) claimed that; if competitive key indicators in the firms are not stable, it is difficult for such firms to grow.

4.5. Factors Hindering Growth or Competitiveness of Local Building Contractors

Spaeth,(2011) in Hagstedt & Thideman,(2013)(17), narrates that; despite the obvious importance of the construction firm growth, it is important to keep in mind that growth is not always good, and that growth can, and will impose a series of challenges on the firm. Moreover, Bala,(2009)(5), argues that; the construction industries in developing countries face a lot of challenges that inhibit performance of their local construction firms and force them to play second fiddle to foreign construction firms. Various studies, including one by Xueyong,(2009)(54) indicates that; in Tanzania the industry contributes 4.7% of the country's' GDP and 47.3% of the Gross Fixed Capital Formation (GFCF), in which significant portion of the government's development budget (about 60%) spent on construction projects. Furthermore, it shows that; the industry has recorded steady growth from 8.7% in 2001, to 11% during 2002 and 15% in 2003.

This growth is attributed to continued Government investment in infrastructure, due to significant increase in donor, private sector and foreign direct investment in infrastructure developments. Despite the increase in investment, growth, and the fact that over the past decade, market share for local contractors increasing from 10% to the current 30% due to the procurement reforms, regulatory and development initiatives, etc. still the market share of local players both consultants and contractors remains very

low. In this study, data for the factors hindering competitiveness of local building contractors were collected from the local building contractors by the respondents ranking the most vital factor using the following rating scale:— *Strongly Agree SA* = (5), *Agree AG* = (4), *Average AV* = (3), *Disagree DA* = (2), *Strongly Disagree SD* = (1).

Table: 4.7: Response on the factors hindering the growth or competitiveness of local building contractors in Tanzania. It also shows the analysis of the collected data with, **F**-frequency and **%** -percentage

No.	FACTORS	SA-(5)		AG-(4)		AV-(3)		DA-(2)		SD-(1)		Respondents	Mean Score	Rank
		F	%	F	%	F	%	F	%	F	%			
01.	Limited access to works	24	69	6	17	1	3	3	8	1	3	35	4.4	5
02.	Limited access to finance	26	74	7	20	0	0	2	6	0	0	35	4.6	2
03.	Low turnover	25	72	5	14	3	8	2	6	0	0	35	4.5	3.5
04.	Favoritism by clients	2	6	12	34	6	17	8	23	7	20	35	2.8	11
05.	Difficulties in recruiting qualified staff and skilled workers	7	20	10	29	6	17	9	26	3	8	35	3.3	9
06.	Low technological base	4	11	5	14	8	21	16	46	4	11	35	2.9	10
07.	Poor tendering strategies	4	11	4	11	11	32	9	26	7	20	35	2.7	12
08.	Stiff competition from large and/or foreign contractors	28	80	6	17	1	3	0	0	0	0	35	4.8	1
09.	Delays in payment from clients	24	69	6	17	3	8	2	6	0	0	35	4.5	3.5
10.	Bureaucratic in procurement procedure	23	67	5	14	3	8	3	8	1	3	35	4.3	6
11.	Poor financial and project management	1	3	5	14	11	31	9	26	9	26	35	2.4	14
12.	Unfavorable tax regime	16	46	9	25	6	17	4	12	0	0	35	4.1	7
13.	Unfavorable donor conditionality	5	14	14	40	10	28	2	6	4	12	35	3.4	8
14.	Poor working environment	3	9	4	11	7	20	15	43	6	17	35	2.5	13

Source: Authors,(2017).

The result from Table 4.7; with a mean score 4.1 up to 5.0 were considered as the highly critical factors. These includes; Stiff competition from large and/or foreign contractors, Limited access to finance, Delays in payments from clients, Low turnover, Limited access to works,

Bureaucratic in procurement procedures, and Unfavorable tax regime.

Stiff Competition From Large and/or Foreign Contractors:— the result from Table 4.7 indicates that, stiff competition is the most highly critical factor hindering competitiveness of local building contractors, with a mean score of 4.8 and ranked the first. Stiff competition could be attributed by fewer work opportunities in the market. CIDB,(2011)(15) argues that; building contractors in South Africa especially those found in small grades faces intense competition from large firms. Also, the same factor was highlighted CRB,(2014)(10) as one of the challenges which face local building contractors in Tanzania. Brown,(2007)(7) also identified competition as one of the hindrances of growth of small firms in Algeria. Hagstedt & Thideman,(2013)(17) enlightens that; growth of firms may often results in more complex organizations, that are less flexible than before, which requires new knowledge and competence to handle and steer. Xueyong,(2009)(54), reports that, in Tanzania there are so many small and medium local contractors to compete in the market, thus why the environment has become more and more competitive and harder to secure potentially-lucrative contracts, due to the fact that; some contractors, even without knowing the scope of works and drawings, manage to get tender in a rather lower price, even lower than the consultant’s estimate. Under such circumstance, most likely SMC’s will fail to deliver and meet the client interest. Therefore, stiff competition seems to be a major factors hindering competitiveness of building contractors especially those found in small and medium levels, despite local contractors standing a better chance, when the clause of preference applies in tender. For instance, the Public Procurement Act (PPA, CAP 410); allows setting aside contracts within a certain value to local firms only, where financial resources are exclusively provided by a Tanzanian public body, (54).

Limited Access to Finance:— is also one among the critical factors hindering competitiveness of local building contractors, with a mean score of 4.6 and ranked the second. According to Bala(2009); CRB,(2014)(5)(10), currently local building contractors have been affected by shortage of finance or lack of working capital for acquisition of plants and equipment, finance for advance payment guarantees and performance bonds as well as are lacking bridging finance in terms of over draft to improve their liquidity and cash flows. The argument is reinforced by Beck at el.(2005); Galindo & Schantiarelli (2003) in Bouazza,(2015)(6), finding that; that in both developing and developed countries, small firms have less access to external financing, (i.e. limited or small capital base) which leads small firms to be more restrained in their operations and growth compared to large firms. Moreover, the study reveals that currently most of the commercial banks offer loans with an higher interest rate of 15% to 18% per annum. Bearing in mind that the average profit of 10% per project, it is not possible for a contractor to use financial instruments currently available and be able to break even, let alone make a profit that would facilitate their growth. Xueyong,(2009)(54), also confirms that SMC’s face

challenges in accessing credit facilities, because; in reality, commercial banks are reluctant to grant credit to small-scale contractors without collateral or sureties, which in return guarantee the banks in case of the contractors fail to pay back such credit facilities. Studies conducted by Rees,(2013) (42) in United Kingdom, also revealed that; the construction contracting SME's face difficulties to access finance from banks hence hindering their growth and development.

Delays in Payments From Clients:— the result from Table 3.7 indicates that; this factor has a mean score of 4.5. The studies by Ncwadi & Dangalazana,(2006)(35) in South Africa and Bala,(2009)(5), in Nigeria, supports the outcome of this research that; financial related problems such as delayed payment by client, lack of access to funding from commercial banks and the failure of the government to give incentives are the problems affecting building contractors in South Africa and Nigeria, hence eroding contractor's profit margins and disturbing contractor's cash flows.

Low Turnover:— the result from Table 4.7 indicates that this factor had a mean score of 4.5. In tendering procedures, annual turnover is one of the criteria for a contractor to be awarded a contract. Although the annual turnover has been increasing, still the growth is relatively small, hence hindering their access to large projects. This is also justified by CRB,(2016)(12)(13) who claims that local building contractors have been eliminated from tendering procedures due to their low turnover.

Limited Access to Works:— this is another factor hindering competitiveness of local building contractors, with a mean score of 4.4. Also, CIDB,(2011); CRB,(2013)(15)(9) identifies this factor as one among those hindering development of emerging building contractors in South Africa and Tanzania respectively. It has led to lowering firm's turnover, and profit margins, which could enable them to increase their capacity of owning equipments, and access to finance. Concretizing its effect, Materu,(2000) in Bala,(2009); Teo & Ofori,(1999) in Joseph,(2015)(5)(20); adds that; lack of exposure to modern construction management techniques; confidence in the management of medium-sized to large projects; experience; has stifled the growth of local building contractors, mainly those involving international contracts in Nigeria.

Bureaucratic in Procurement Procedures:— is another critical factor, with a mean score of 4.3. Bouazza,(2015)(6), claims that; globally, corruption in construction business tend to impede the growth of local building contractors. He added that, corruption in public procurement is always encouraged by collusion between corrupt public officials, contractors, suppliers and consultants who are not honest. Basing on that fact, corruption makes contractors especially small firms who have low financial capability to suffer by lacking opportunities to acquire works.

Unfavorable Tax Regimes:— findings indicate unfavorable tax regime as one of the critical factor affecting local building contractors, with a mean score of 4.1. Although Xueyong,(2009)(54) reports that; local building contractors have enjoyed tax relief or other incentives initiated by the Government for the purpose of empowering them, giving example of, CRB annual fee for local contractors are far less

than that for foreign contractors, but still Nyerere,(2016) (38) claims that despite paying tax being important for the development of the country, tax authorities in Tanzania have failed in several occasions to understand the way construction business is being conducted, which has resulted to local building contractors being burdened with several taxes and levy, (like withholding tax and Value Added Tax (VAT)) that end up affecting their cash flows, and hence performance. The challenge on high taxes, is also reported by a study by Bala,(2009)(5), in Nigeria, giving the same effects.

Also, from the findings, respondents identified unfavorable donor conditionality and difficulties to recruit qualified key personnel as the factors which moderately hinder their competitiveness, with a mean score of 3.0 to 4.0. Although the study conducted by CIDB,(2011)(15) identified these factors to be the most critical ones hindering growth of small and medium sized contractors in South Africa, the situation in Tanzania is different as the majority of respondents claimed that the factors are there but not that much. Moreover, respondents identified some of the factors which were listed by the researcher to be not the ones affecting their competitiveness. These factors scored a mean score of 1.0 up to 3.0 and include the following; low technological base, favoritism by clients, poor tendering strategies, and poor working environment.

Additionally, another question was raised to local building aiming at examining the market capability of local building contractors. Yang-Tao at el.,(2007); Rees,(2013)(53)(42) identified market capability as one of the growth indicator, if one intend to expand locally or internationally, specifically because accessing foreign markets, is one driver of growth. In responding to the question, 32 out of 35 respondents admitted non-conduction of construction business outside the country, while only 3 out of 35 respondents said that; they had had projects outside the country by 2015. The common reasons provided are such as low turnover, poor technical capacity, and poor government support in terms of providing access to finance, lack of entrepreneurial skills, unfair competition, and management problems.

4.6. Main Actors Responsible for the Growth of Local Building Contractors

Hagstedt & Thideman,(2013)(17) accounts that; the construction industry is a broad concept and includes a number of different types of actors. In this study one of the specific objective was to identify the main actors responsible for the growth of local building contractors, whereby respondents were required to identify the main actors from the given list of several actors by providing a tick (✓) to actors who they think are important in successfully growth of local building contractors.

Table: 4.8: Response on main actors responsible for the growth of local building contractors in Dar.

No.	Actors	Frequency(F)	Respondents	Percentage(%)	Rank
01.	Contractors Registration Board (CRB)	35	35	100%	1
02.	Public Procurement Regulatory Authority (PPRA)	23	35	66%	5
03.	Tanzania Revenue Authority (TRA)	13	35	37%	10
04.	Financial and Insurance Institutions	25	35	71%	4
05.	Contractors themselves	26	35	74%	3
06.	Engineers Registration Boards (ERB)	18	35	52%	8
07.	National Construction Council (NCC)	20	35	57%	7
08.	Clients	30	35	86%	2
09.	Tanganyika Law Society (TLS)	9	35	26%	13
10.	Business Registration and Licensing Authority (BRELA)	10	35	29	12
11.	Architects and Quantity Surveyors Registration Board (AQRB)	22	35	63%	6
12.	National Environmental Management Council (NEMC)	14	35	40%	9
13.	District and Municipal Councils	12	35	34%	11

Source: Authors,(2017).

The result from Table 4.8, shows the response of respondents with regard to the main actors responsible for the growth of local building contractors. Actors who scored above 50% were considered as the main key actors as discussed hereunder:—

Contractors Registration Board(CRB):— from Table 4.8, all 35 respondents amounting to 100% responded that CRB which is the government regulatory body, is the most main actor responsible for the growth of local building contractors. As stipulated in the Contractor Registration Act No. 17 of 1997, CRB has the roles to mention few; to register local and foreign contractors, to regulate the activities and conduct of contractors, to set criteria for registration of contractors in different classes and review these criteria from time to time, to review the performance of registered contractors from time to time and develop skills and capacity of local contractors. Therefore, CRB has a duty to ensure that local building contractors offer their services professionally, efficiently, ethically and fulfilling social obligations embedded in them. This agrees with Paul at el.(1995) & Wells(1996) in Bala (2009)(5), findings that; government's role is the most important influence upon the growth of the construction industry, as long as the country has propel national policies and legislations.

Clients:— findings indicated that 30 out of 35 respondents which is equivalent to 86% considered clients as one among the most main actors responsible for the growth of local building contractors, as they are the one to offer works. The respondents gives example that; all donor funded projects, should be awarded to local building contractors, and in so

by doing annual turnover, and work experience will increase hence improving growth of local building construction firms.

Contractors Themselves:— with regard to the result from Table 4.8, 26 out of 35 respondents which equals to 74% identified contractors as one among the main actor responsible for growth of local building contractors. It is absolutely true that; if the firm lacks proper and good management in the long run will fail to operate. Thus, contractors should make sure that different aspects like financial and managerial arrangement of their local building construction firms are well managed.

Financial and Insurance Institutions:— the result from Table 4.8 indicates; 71% of the respondents identified financial and insurance institutions as one of the main actors for growth of local building contracting firms. As these institutions are the third parties in most contracts, and throughout the contract lives, they should assist local building construction firms in obtaining the necessary bonds, and guarantees for the purchase of the plant and equipment.

Public Procurement Regulatory Authority(PPRA):— result from data analysis in Table 4.8 shows that 66% of the respondents considered PPRA as one of the main actors for the growth of local building contractors, by ensuring that; some provisions in the PPRA, which do not favor local contractors, should be repealed to give local contractors preference.

Architects and Quantity Surveyors Registration Board(AQRB):— Table 3.8 shows that 63% of the respondents identified AQRB as the main actors responsible for the growth of local building contractors. As practitioners in construction sector cannot operate without fulfilling some requirements by AQRB, among them to be registered professionals in the case of Architects and Quantity Surveyors, (29). Among other, AQRB has a role of entering building sites and inspect building or construction works for the purpose of verifying and ensuring that the works are being undertaken by a registered architectural or quantity surveying firms and that the works complying with all governing regulations and laws of the country including requirement for safety, (29). Hence, complying with such provisions may help to improve the local building construction firms' growth.

National Construction Council(NCC):— finding reveals that respondents, identified NCC as one of the main actors responsible for the growth of their firms, by ranking it 7th with 57%. Nkori,(2016)(37) claims that; NCC is a government policies watchdog in construction sector, where its duty bound to either directly or indirectly ensures that local contracting capacity is built, improved and uplifted all the time. Therefore, it is necessary to ensure that there are policies which deliberately favours or protect local contractors against foreign contractors, or foreign contracts, in which local contractors may take part. On the other hand, those who scored below 50% were not considered by respondents as the ones responsible for the growth of local building contracting firms. This is because they are not much

connected to them although they have roles to play in ensuring that the building capacity of local firms is growing.

4.0. CONCLUSION

This research assessed the growth trend of local building contractors for the period of 2005-2015 in Dar-Es-Salaam, Tanzania. Basing on the on the study primary objectives which were to study the number of local building contractors registered and upgraded their classes between 2005 and 2015 and strategies used to improve their firms' growth; to evaluate the factors hindering competitiveness of local building contractors; to identify the main actors responsible for the growth of local building contractors; and to suggest the measures that can be enacted in improving the growth of local building contractors; the study concludes the following:—

- Currently there has been a significant increase in the number of startup ventures in the construction businesses, which most of them are located in the small level. Upgrading from small classes to higher classes is important, for the purpose of indicating the growth of a particular firm and company, in which by upgrading to higher class, a firm tend to meet the criteria set by CRB in order to execute a high valued project. However, it was found that only few local building contractors take an average of 2 to 3 years to move from lower to upper grade, leaving the majority of local building contractors to remain in the small level, hence concluding on the non growth of the majorities of local building contractors.
- Moreover, it was observed that local building contractors prefer; participating in tendering to get works, acquiring new equipments, employing right personnel, cooperation with stakeholders, training on procurement procedures and Joint ventures with other contracting firms as key strategies to ensure growth of their firms. However, there are some of the strategies which were ranked the lowest, but if they are implemented well, could help local building contractors in achieving sustainable growth. Example strategies like seeking sub-contract work and joining diverse contractors associations enable small firms to access finance for performance bond and advance payments. Thus it can be concluded that local building contractors, are not well informed on other strategies which can be used to improve growth of their firms.
- Also, the study findings shows that; there is a number of factors hindering competitiveness of local building contractors in Tanzania, and the most effective are, stiff competition from large and/or foreign contractors, limited access to finance, low turnover, delays in payment from clients, limited access to works, unfavorable tax regime and bureaucratic in procurement procedures. These shows that local building contractors are conducting their business in un-conducive environment, because most of the government policies enacted to

help local firms have not been implemented successfully.

- Again, basing from findings and analysis, it was found that, CRB, clients, Contractors themselves, financial and insurance institutions; PPRA, NCC and AQRB are the main indicators' actors responsible for the growth of local building contractors. As discussed in the previous chapter, these actors play a great role in building capacity of local building contractors. However, data obtained from various literature reviews indicate that, some of these actors do play their roles effectively in whole process of helping local firms to grow. For instance, major clients prefer to use of invoke world bank type conditions in their request for proposal, requiring turnover and experience which automatically exclude most local contractor at the early stages of evaluation even before margins of preference can be applied.

The conclusion is affirmed by Xueyong,(2009)(54) writings which asserts that; Tanzania is on the path of fast development with more vigor and speed, whereby ample opportunities have been unfolded before Small Medium Contractors (SMC's), in which over the past few years, quite a number of local contractors have developed into large contractors, competing with foreign ones, and undertaking large contracts. Furthermore, he underlines that; with the implementation of the Tanzania Development Vision 2025, in which infrastructure is considered as one of the priorities, more and more SMC's will survive the challenges, grow faster, and contribute more, to the social-economic development of the country, if they pursue and utilize right strategies. He further insists that; given the expectation on the near future, an equitable shift in the market share of local contractors will be achieved by 50% of the works by value.

5.0. RECOMMENDATIONS

The growth of local building contractors require a number of measures including those which focus on the building construction firm itself, its proprietor(s) and its resources, as well as those which address a wide range of its needs including its projects, inputs and operating environment. Therefore, for local building contractors to thrive in the construction industry with changing business environment, and keep growing, and developing successfully, the followings measures are recommended:—

- The government through TRA should reduce the number of taxes (like corporate gain tax and withholding tax) and levy to local contractors which has been affecting their cash flow, and performance. At the same time, clients should ensure that packaging of works in their projects is done in a manner that local contractors are able to participate in implementation of large projects.
- The government through statutory bodies should resolve the unfavorable laws and legislations which are detrimental the growth of local contractors. For

instance, Contractors Registration Act of 1997, and its regulations that allow foreign contractors, to open up offices and participate in local tendering processes, bring about unfair competition.

- Contractors Registration Board (CRB), should review their upgrading criteria, as they are unfavorable because they do not promote local building contractors in terms of growth, while taking into consideration the management structures of companies, technical capacity and development in the industry with regard to plant and equipment. Basically, the current criteria are very difficult, particularly the requirement on the ownership of plants and equipments, as well as work experiences.
- The fact that majority of local contractors are small, it is recommended that joint ventures among local firms should be promoted, in order merge their resources in terms of finance, human resources and equipment so as to achieve synergies, and hence growth. This will enable to build strong companies which can undertake high valued projects, for example class IV and class V, can join and carry out a project which could be carried out by class III.
- Contractors should be encouraged to join contractor's associations, which could help them in acquiring funds for performance bonds. On the other hand these associations should be relevant by providing appropriate services to the members.
- Contractors should attend seminars, CPD and workshops conducted by different associations and government statutory bodies aspects related to the construction sector, so as to create awareness or sensitization on different issues regarding their services. Example, the annual consultative meeting which has been and continues to be held by CRB, since 1999 in different zones. Furthermore, government through statutory bodies should build capacity to local building contractors, especially in project management and quality control in order to enhance performance.
- Also, it is recommended that local contractor should conduct local and international outreaching programmes as a market strategy, as well as international study tour so as to learn and share ideas with construction practitioners on better practices being employed in the visited countries. This could also help them in establishing linkages with plant and equipment suppliers, exporters as well as identifying potential and strategic partners in building contracting business.
- The government should ensure a more conducive environment, for the growth of local building contractors, through advocacy for affirmative government policies, legislations and initiatives on building the local capacity. Moreover, the government must ensure that all projects financed by local funds are given to local contractors.

- Contractors Assistance Fund should be improved, so that every local building contractor may have access to finance. The initiative should be implement alongside, government through statutory bodies assisting in coordinating financial institutions for better loan conditions (e.g. low interest rates in loan, performance bond) to improve capital base of local building contractors.
- CRB should impose, or introduce laws which guide foreign contractors, to size of work which they can compete against local building contractors.
- The Public Procurement Regulatory Authority should modify their conditions for qualification to bid to local contractors by allowing fair competition against the foreign contractors. Meaning, all low valued projects should be allocated to local (small) firms so as to allow easy access to work opportunities.
- Allocating more building projects, with national preference to local building contractors

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