



Issues and Challenges of Class C Contractors in Pokhara

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Abstract

This study entitled “Issues and Challenges of Class C Contractors in Pokhara” was carried out for all Class C Contractors registered in Contractors’ Association of Nepal (CAN) Kaski. This study aims to investigate the issues and challenges faced by Class C contractors in Pokhara. Expert interview were conducted after thoroughly reviewing the literature and reports of the Nepalese construction industry to identify the major problems of Nepalese contractors. The data were collection through questionnaire surveys and interviews. The main objective was to identify the burning issues and challenges of Class C contractors of Pokhara.

The findings revealed that most of the construction firms in Pokhara are engaged in different sectors of constructions and few firms are specialized in particular construction work i.e. Road construction and maintenance. These firms meet equipment capacity as per CBA 2055 & CBR 2056 and are financially and technically viable for bidding process as per Qualification Criteria of PPA 2063 & PPR 2064. The results indicated that the major issues and challenges of contractors in Pokhara are competitive pre-qualification process during bidding, low bidding and corruption, hiring qualified human resources, work experience, delay in payment, political intervention, job insecurity, price escalation and inflation, insecurity due to hooliganism in construction site, revenue and taxation, government rules and regulations, contract documents, etc. Based on the findings of the study, it is concluded that the government

and concerned authorities should implement flexible and appropriate policies and laws with standard guidelines for prequalification criteria and formulate amendments in standard bidding documents containing clauses under new procurement act. Amendments like bidding capacity of classified contractors, price escalation and inflation, JV prequalification criteria, duty privilege for construction equipment, high rate of registration, renewable fee and vehicle tax, VAT system, present income tax assessment procedure, etc. should be revised under new procurement act.

The study can also be useful for benchmarking the status of Class C Contractors in Pokhara.

Keywords: *Challenges, Class C Contractor, Issues, Public Procurement Act(PPA), Public Procurement Regulations(PPR)*

1. Introduction

Construction industry plays a vital role in the development of any country and directly or indirectly people are dependent on the construction industry. The construction industries are playing major role in the overall social and economic growth in both developing and developed countries in the view of its direct and indirect contribution to Gross Domestic Product (GDP) and employment potential. The construction industry plays a catalytic role; it is not only a major economic activity itself but it also creates both backward and forward link in the economy. Construction projects especially construction of infrastructures consume a lot of resources in this country. 60% of the nation's development budget is spent on construction sector. Construction contributes 11% in Gross Domestic Product and provides about 15% of the total employment. Every rupee invested in construction generates an incremental GDP of 78 paisa and in industry GDP of 14 paisa (Budget speech, 2068). There are nearly 17000 domestic and more than 50 international construction companies working in the industry, together with more than 1000 consulting firms and a large number of government and non-government agencies.

In the construction industry, many private contractors, projects, and many foreign consultants are involved. Private contractors are involved in construction of commercial complexes, private residences, and in taking tender for government projects. Nepalese construction companies are classified into four categories: Class A, Class B, Class C and Class D on the basis of their manpower, investment, equipment and experience. Foreign construction companies are involved in the construction of huge projects supported by foreign donors, like the World Bank, and Asian Bank, and the Nepal government.

Since Nepal is a developing country, its future prospects are bright. However, this industry is also suffering from many problems like lack of finance, proper management and technical efficiency, lack of skilled manpower, unfair competition, corruption in government projects, excessive government regulation etc.

Still there are some unfavorable clauses for local contractors regarding public procurement by user group, joint venture, qualification criteria etc. There is still lack of basic infrastructure for the development of Nepalese construction industry. The problems being faced by Nepalese contractors will help in understanding the scenario of the industry. Some major problems of the industry are pre-qualification procedure, contract documents, government rules and regulations, construction equipment and workshop, approval of the lowest bid, taxation system, delay in payment, price change, brain drain, unavailability of construction materials, users group, etc.

The research shows that most of the companies have failed to meet the standards of CBA 2055 & CBR 2056 in owning equipment. Only few contractors are extremely satisfied with their business. It has also shown the unavailability of human resources in tunnel, hydropower and bridge sectors. The main objective of the study was to identify issues and challenges for Class C contractors in Pokhara.

2. Materials and Methods

Following the literature review on the Nepalese construction industry and practical reports review, issues and challenges of contractors of Pokhara were identified. Further, the research question and research objective of this study was set; subsequently the collection of data for the fulfillment of the objective was planned and defined clearly. The data collected to be reliable, the process of data collection was defined and the collected data were tested to check the reliability.

This research firstly required the expert interview with professionals from construction companies both contractor and consultant in Pokhara.

- **Population of the study**
- The population of the study was 56 which is total number of registered Class C contractors of Kaski.

- **Sample of the study**

The total population was considered as the total sample size, 56 registered Class C contractors in Pokhara were chosen. As 6 contractors were out of reach and have stopped working in Kaski, only 50 contractors were taken as the sample size of the study.

Research Design

The design framework of the research was mostly based on the literature review, questionnaire survey, interviews and analysis of primary and secondary data. The methodology is summarized as follows.

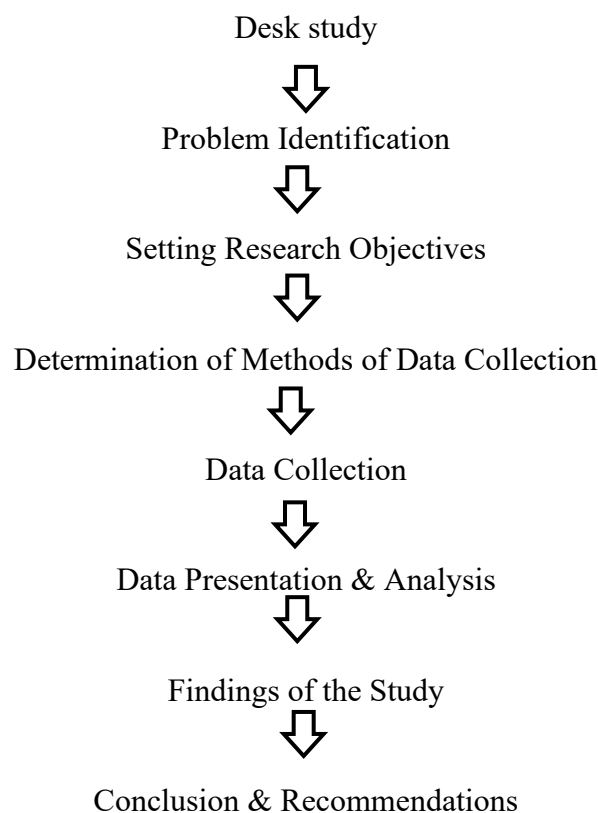


Fig 1 Research Design Framework

After the collection of data from primary and secondary sources using questionnaire and interview methods, analytical study of collected data was done. The collected data was edited and arranged in the systematic way. The information is presented in the form of table.

Table 1: Issues & Challenges of Class C Contractors of Pokhara

S.N.	Issues & Challenges for Class C Contractors of PLMC									
	f	f	f	f	f	f	f	f	f	f
C.P	4	4	4	4	4	4	4	4	4	4
D.P	5	5	5	5	5	5	5	5	5	5
R.T	5	5	5	5	5	5	5	5	5	5
H.Q	5	5	5	5	5	5	5	5	5	5
I.H	7	7	7	7	7	7	7	7	7	7
J.I	2	2	2	2	2	2	2	2	2	2
S.W	5	5	5	5	5	5	5	5	5	5
L.B	8	8	8	8	8	8	8	8	8	8
P.I	7	7	7	7	7	7	7	7	7	7
P.E	2	2	2	2	2	2	2	2	2	2
Total	50	50	50	50	50	50	50	50	50	50
<i>Source: Field Survey 2018</i>						*f- number of firms				

Note: C.P= Competitive pre-qualification, S.P= Delay in payment
R.T= Revenue and Taxation, H.Q= Hiring Human Resource
I.H= Insecurity due to hooliganism, J.I= Job insecurity
S.W= Same work experience, L.B=Low bidding and corruption
P.I= Political intervention, P.E= Price escalation and inflation

From table 1, it is seen that the major issues and challenges of Class C Contractors of Pokhara were competitive pre-qualification, low bidding and corruption, hiring human resource same work experience, delay in payment, political intervention, job insecurity, price escalation and inflation, insecurity due to hooliganism and revenue and taxation for finding difficulties during bidding, work execution and payment of construction works.

3. Results and Discussion

Issues & Challenges of Class C Contractors of Pokhara

It is seen that the major issues and challenges of Class C Contractors of Pokhara were competitive pre-qualification, low bidding and corruption, hiring human resource same work experience, delay in payment, political intervention, job insecurity, price escalation and inflation, insecurity due to hooliganism and revenue and taxation for finding difficulties during bidding, work execution and payment of construction works.

4. Conclusions

Based on the observations and findings of the study, the following conclusions and recommendations are made:

4.1 Common Issues & Challenges of Class C Contractors of Pokhara

4.1.1 Hiring of Qualified Human Resources

- Government should implement policies and laws in the favor of technical manpower and should provide suitable environment and opportunities for them.

4.1.2 Delay in payment

- Government should provide timely and adequate budget announcement, payment based on proper evaluation of measurement of works, timely decisions and approvals by government authorities.

4.1.3 Low bidding and corruption

- Government should award tenders to the lowest substantial competitive bidders by following the standard qualifications and evaluation procedures. A quality circle comprising of qualified and experienced technical experts should be formed to evaluate and verify the bidding procedures and tender awarding processes. Strict laws and policies should be implemented by the government and malpractioners should be punished as per laws and rules of Nepal government.

4.1.4 Competitive pre-qualification procedures

- Government should implement flexible qualification criteria for bidders. Tenders should be awarded to bidders fulfilling all the requirements i.e. technical and financial capabilities required for bids. Government should facilitate bidders with a committee for providing all necessary information and assistance to bidders during tendering process.

4.1.5 Price escalation and inflation

- Government should provide timely and adequate budget announcement. Price escalation and inflation should be regularly checked, verified and corrected by the government.

Public entities should facilitate and provide required information regarding price escalation and inflation.

4.1.6 Insecurity due to hooliganism in construction site execution

- Government should facilitate contractors with security or protection at construction site and the wrong doers should be punished as per laws of government.

4.1.7 Political Intervention

- Government should implement strict and effective laws and policies to avoid false competition and political intervention in construction projects.

4.1.8 Same work experience

- Contractors having experience in specialized construction works should only apply for the quoted specialized works. For specialization in certain construction works, the contractors should on emphasize on that particular sector and hire technicians experienced in that sector.

4.1.9 Revenue and Taxation

- Government should formulate simple procedures for refunding of tax deduct at source amount and tax clearance at the end of fiscal year.

4.1.10 Job Insecurity

- Government should formulate separate laws and policies regarding the security for construction business.

4.2 Recommendations for Future Research

The main purpose of this study was to identify the major issues and challenges of registered Class C contractors of Pokhara. It also compares their equipment capability as prescribed by CBA 2055 & CBR 2056. Similarly, it also studies about the financial capabilities of construction firms in terms of their turnover and credit limit. It also studies about human resources available with construction firms.

Furthermore, there can be further research in other areas of construction firms. The recommendations for future research are:

- a) To study on motivation factors of construction workers of Nepalese construction industry
- b) To study on specialized construction works undertaken by Nepalese contractors
- c) To study on Leadership in Construction Management among Construction Professionals in Nepal

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