



Multinational Construction Companies in Nigeria: an Analysis of Their Impact on Economic Growth and Dependency

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ABSTRACT

This paper examines the impact of multinational construction companies on Nigeria's economy. Focuses on the practices and effects of multinational construction companies operating within Nigeria. The findings from the research indicate a mixed impact of multinational construction companies on the Nigerian economy. On one hand, some multinational companies have been found to engage in exploitative practices, there are instances where multinational construction companies have contributed positively to the Nigerian economy, through technological advancements, increased employment opportunities, and investments in local infrastructure development. Additionally, it emphasizes the importance of implementing robust regulations and policies to ensure responsible and sustainable practices by multinational construction companies operating in Nigeria. The significance of fostering collaboration and implementing effective regulatory frameworks to maximize the positive contributions of multinational construction companies while mitigating any adverse effects on Nigeria's economy.

INTRODUCTION

Multinational corporations have remained an integral aspect of the economy of many countries of the world. Their existence allow the corporations have access to variety ofction, countries to obtain resources as well as engage in economic activities. Multinational corporations have benefited from lower tax rates, tax exemptions and lower labour costs in many developing countries. These countries then gain from the arrival of Multinational corporations, as they provide jobs, foster economic growth and raise employment standards by paying improved wages than local competitions (Ferdausy & Rahman, 2009). A significant percentage of multinational corporations engage in exploitative activities in emerging markets. They can be guilty of making pollution or engaging in human rights abuses. Nevertheless, labourers are paid low wages, as there are few or no trade unions to protect their rights or negotiate with the multinational corporations. Low wages and unfavourable working conditions affects labourers in multinational corporations and there are little to no enforceable policies to protect these workers in developing countries (Ferdausy & Rahman, 2009).

Infrastructure remains an important aspect every country tries to improve. These makes the construction industry vital in economic advancement of any country. The inability of local or indigenous construction firms to meet up the demands of construction within a country would lead to the entry of new foreign companies into the construction industry. This peculiarity explains the involvement of multinational construction companies into Nigeria. The performance of the multinational corporations has made them to be prioritized anytime contracts are to be awarded for some infrastructural developments in the country.

Statement of The Problem

The construction industry remains a vital aspect of every country's drive towards development. It contributes to the quality of life of individuals because of the infrastructures created by them. The industry not only contributes to the construction of communities, but it also has a substantial environmental impact and determines the nature, function and outlook of a country (Myers, 2005). Problems associated with construction such as building collapse, construction delay, high cost of construction, government instability, among others have been factors that have plagued the growth of the construction industry in the country. Lack of local capacity resulted into the entry of multinational construction companies into the country. These construction companies occupy the construction industry by taking most of the contracts awarded for national infrastructure by the government. Their activities have brought about both negative and positive consequences in the Nigerian construction industry. The infrastructure that supports Nigeria's economy has remained underdeveloped for decades, and it is further characterized by inequalities in distribution, unreliability, and degradation as a result of years of neglect (Ebekozien, Ugochukwu & Okoye, 2015).

The Oretical Framework

This study is anchored on the dependency theory. This is premised on the notion that resources flow from underdeveloped countries into advanced economies. The theory was developed by Argentine economist Raul Prebisch to explain the challenges of development in Latin America in the 1960s (Ahiakpor, 1985). The theory displays the parasitic relationship that is present between industrialised countries and less developed ones. This theory represents the complex politico-economic relationship that binds the advanced capitalist countries of the centre and the other countries on the Periphery, in such a way that the movement and structure of the former decisively determine those of the latter in a way that is detrimental to the economic progress of the other societies (Eluka, Uzoamaka & Anekwe, 2016).

LITERATURE REVIEW

Origin of Multinational Corporations in Nigeria

Multinational Corporations in Nigeria could be traced to the activities of European trading companies which engaged in trading commodities after the abolition of the Trans-Atlantic slave trade. The European economies needed a market where surplus goods produced in Europe could be sold and also a location where they could access raw materials and mineral resources to feed their industries in Europe (Eluka et al., 2016). These Multinational corporations still maintain their position in the Nigerian economy after independence from the colonial government. Nigeria's huge population and enormous resources has been an attraction to multinational corporations. These companies invest huge capital into industries, technical training of employees in Nigeria and have contributed immensely to the growth and development of the countries over the years. The oil sector has attracted a number of multinational corporations in the Niger delta region of the country. The activities of these oil companies earn Nigeria about 80% of her income (Eluka et al., 2016).

Developing countries formulate different policies to attract foreign direct investment into their country. This makes various countries to engage in a competition in order to attract multinational corporations into their countries (Guiliana & Macchi, 2014).

Construction Sector in Nigeria

The construction sector plays an important role in economic activities in Nigeria. This is because of its impact on various sectors of the Nigerian economy. It constitutes a significant amount to employment creation as well as increases the country's revenue (Ogunbode, Williams & Alabi, 2017). The construction sector is critical to the advancement of the socio economic status of citizens of a country. The industry is an indicator for economic progress of a country. With infrastructural deficit in Nigeria, the country requires substantial amount of foreign investment into the construction industry, so as to boost the nation's economic growth particularly in building and construction of reliable infrastructure that would in turn improve the GDP of the country (Ebekozen et

al., 2015). This is evident in the sector providing shelter and the necessary infrastructure for economic advancement. Nigeria's growing population has made the country's construction demands to be on the increase. This has resulted to the emergence of Multinational Construction firms as well as indigenous construction firms to fill the gaps by providing the necessary infrastructure as well as structures for economic activities.

Construction companies in Nigeria could be traced to the 1930s with the activities of the Public Works Development (PWD), and the Royal Army of Engineers which later became the Nigerian Army of Engineers. Foreign construction firms were introduced into the country in the 1940s with the involvement of some Italian and British companies (Mbamali & Okotie, 2012). As a sovereign state, Nigeria began to draft its local policies as well as embark on major infrastructural projects within the country. The oil boom of the 1970s gave a boost to contracting construction companies for infrastructure building in Nigeria. In the 1980s, foreign construction companies dominated the construction industry in Nigeria. The period evidently exposed the limited technical knowledge and low level of human resource development that was present among indigenous construction companies in keeping up with the huge demands of the government (Isa, Jimoh & Achuenu, 2013). In addition, the time period also revealed the poor degree of human resource development that the nation's indigenous companies needed to plan, design, build, and maintain the scale and quantity of projects that the government had envisioned. However, compared to the time before independence, the apparent resource gap between indigenous companies and their foreign counterparts has reduced as a result of some improved training institutions, the involvement of expatriates, collaborations between indigenous and foreign entrepreneurs, political stability, and improved government policies (Ogunbode et al., 2017).

The public sector contributes the significant portion of capital for the construction industry in Nigeria with the annual budgetary allocations that are appropriated for the ministries dealing with infrastructure developments and upgrade. This enormous connection of government investment with the level of development in the construction was as a result of the limited financial capacity of private construction companies in Nigeria. In the 1980s, Nigeria's construction industry accounted for over 70% of the country's GDP, making it the largest contributor to the GDP. As a result, the sector became crucial to Nigeria's development efforts (Oladapo, 2007).

The development of the construction sector as a tool for sustainable economic development is now positive, given the growing emphasis and involvement of stakeholders in closing Nigeria's infrastructure gap (Isa et al., 2013). Nigeria has however improved its capacity in cement production with the country being the largest producer of cement in Africa. However, problems relating to corrupt government officials, government policies, limited technical knowledge and project financing have challenged the growth of the construction sector in the country. Nigeria, being a developing country grapples with the increasingly growing demands for the provision of infrastructure as well as maintenance of already existing infrastructure that have gradually deteriorated

over the years. These challenges have provided an opportunity for Multinational construction firms to get involved in the construction industry and fill the gaps available in the sector.

There are organised formal and unorganised informal sectors in the Nigerian construction industry. The formal sector consists of international and domestic companies that are divided into small, medium, and large scale companies based on their level of capitalization and yearly revenue. The few large corporations (multinational corporations), which accounts for only about 5% of all contractors in the formal sector, control nearly 95% of the construction market, giving small firms a proportion of the market of only about 5% (Oladapo, 2007). Nigeria's construction sector is dominated by activities of foreign multinational corporations with expatriates being involved in the construction processes. This is as a result of the dearth and incapability of indigenous construction firms in area of financial capacity, innovations and dynamism (Odediran, Adeyinka, Opatunji & Morakinya, 2012). The decision to opt for multinational construction firms is as a result of limited technical competence, deficiency in managerial skills, planning and evolution to adapt to modern techniques and innovations in the construction sector.

Still being a developing country, Nigeria has an infrastructure deficit that requires the federal, state and local government to invest in construction industry. The need to provide shelter and basic amenities and services for the welfare of citizens such as electricity, roads water systems has made various tiers of government allocate certain amount of monies during budgetary appropriation stages. Lack of technical management skills inhibit the performance and growth of the indigenous construction industry. Though the Nigerian government had attempted to improve the capacity of industrial construction firms, several factors still stunted the growth of the local industries. Many of the beneficiaries of government training and funding lacked managerial capacity to gainfully utilize knowledge and resources obtained towards improvement of their capacity to perform (Adams, 1998). The construction industry is influenced by the activities of various ministries in the country. Such ministries include; the ministry of transportation which is in charge of Aviation infrastructure, railway lines and maritime docks; the ministry of water resource which construct and maintain dams, irrigation channels and water distribution networks; the ministry of works which prerogative is the construction of roads, major highways, bridges and critical national infrastructure for the country; ministry of power which constructs and maintains energy infrastructure (Dantata, 2007).

Activities of Multinational Construction Companies in Nigeria

The entrance of the multinational construction companies in Nigeria at various times assisted in the infrastructural upgrade of the country. It had a negative impact on the indigenous construction companies as the foreign construction firms received major contracts for national infrastructure. However, their entry also helped local construction firms build capacity so that they can be able to compete favourably in the construction industry. Some of the

Multinational construction companies that got involved in construction in Nigeria include the China Civil Engineering Constructing Corporation (CCECC), Julius Berger, Tolaram, Costaine West Africa Plc, PW Nigeria, Reynolds Construction Company Nigeria limited (RCC), amongst many others. These various companies have constructed major highways, government infrastructure and even privately owned projects within the country. In recent times, Nigerian governments have turned their attention towards Asian multinational construction firms due to their costs and operational styles in the country.

The Chinese Civil Engineering Construction Company was established in the 1970s and became an important company that was used by the various tier of government in Nigeria. The company had worked on the Tanzania-Zambia Railway in 1976. This was the largest economic aid project carried on by China in Africa in the 1970s (Osondu-Oti, 2016). The company was involved in the rehabilitation of the Nigerian railway system. The CCECC also engaged in the training of local technicians to better understand the modern construction techniques. The company supplied Nigerian locomotive needs from the 1990s. The financial backing from the Chinese government has made them win several bids for infrastructural construction in Nigeria. This is evident in the modernization of the Abuja-Kaduna Rail line which was valued at 850 million USD, modernization of the Lagos-Ibadan Rail Line valued at 1.487 billion USD and the Nigeria Badagry Express road, which cost estimate was 941 million USD (Osondu-Oti, 2016). To meet its demands in the Nigerian construction industry, the CCECC embarked on creation of a cement plant. The company has also been involved in connecting Nigeria's seaport to the existing rail infrastructure. The company has become an active participant in the construction industry in Nigeria, competing with already established construction companies like Julius Berger. The Chinese company has benefitted from its country in many ways and this has facilitated its emergence as a major stakeholder in the Nigerian construction industry. The cost competitiveness in bidding for contracts, access to cheap capital from Chinese state owned financial institutions, access to skilled low cost labour, access to inexpensive building materials through supply chains from China and political support from the Chinese government through the actions of the Chinese embassies have assisted the CCECC to have its foothold in the Nigerian construction sector (Corkin & Burke, 2010).

Loans from financial institutions like the Chinese Export Import Bank helped spur development of infrastructure in Africa. The loan is accepted by the various African countries because of the nature of such loans. There are no extra conditions attached to loans when they are offered to African countries. This however differs from lending from some multilateral organisations and western countries which sometimes dictates the economic models or policies a country should adopt before granting loans them. Chinese financial aid to developing countries is based on a no quid pro quo principle (Osondu-Oti, 2016). The China Exim Bank loan has considerably increased over the years, thus boosting the activities of Chinese owned construction companies in Nigeria. The support these multinational construction firms get from China is in line with the economic foreign policy of the country. Engaging in international economic

activities gives them an opportunity to gaining access to resources of the countries such investments are domiciled in (Osondu-Oti, 2016).

The activities of the multinational companies, particularly those from Asia has received a lot of criticism due to the nature of some of their operations. This also is a characteristics of the Chinese construction companies in Nigeria. Low income of labourers, extensive working hours and restriction in gaining managerial and top administrative positions within the company are among the challenges faced by Nigerians working for foreign multinational companies.

The railway modernization in which the CCECC is involved in is essential to improving the Nigerian economy. It connects Nigeria's underdeveloped but rich resource hinterland regions with the coastal consumer market. It would significantly reduce inland transport costs and guarantee competitiveness of Nigerian firms against foreign imports and potentially promote the export and trade of Nigerian goods (Chen, 2018). The CCECC established a localization strategy which mandates a ten-to-one ratio of local to Chinese workers. Construction of Abuja-Kaduna Railway line provided jobs for about 4,000 Nigerians (Chen, 2018). Chinese construction companies have intensified competition in the Nigerian construction industry in terms of project financing, sectoral deployment, completion time for projects, supply-chain management, and even overall service quality (Babatunde & Low, 2013).

Impacts of Multinational Construction Companies in Nigeria

Multinational construction companies assist in spurring development of new communities. The construction of infrastructure has both a short term and long term effect to the communities where such infrastructure is domiciled in. The short term benefits involve the economic activities that spring up around the construction areas. Traders and the informal sector benefit as a result of the sizeable amount of construction workers that would require some items for their daily sustenance. The various multinational construction companies provide employment to a significant portion of Nigerian citizens. The wages earned would benefit the employees and also the communities where such employees reside in. Activities of the multinational construction companies also drive the developments of new businesses. Rural communities around the new infrastructure benefit and sometime transform into thriving urban locations. This can be seen in the construction of Lagos-Badagry express road in the 1970s (Olubomehin, 2015). The construction led to the emergence of some new communities that developed residential, commercial and industrial developments. Such investments also attract influx of new residents which in turn improve the economy of the area. Locations like Amuwo Odoffin, Okokomaiko, Ojo, Badagry-town, amongst many others, have received significant population increase as a result of the commissioning of the highway in the 1970s (Olubomehin, 2015).

Multinational construction companies also improve infrastructure of the country. Rehabilitation of major highways across the country by the multinational and indigenous construction firms have considerably reduced accidents on the highways. Olubomehin (2015), noted that the Lagos-Abeokuta

expressway was characterised with several accidents. These accidents were as a result of the nature of the roads which was a single carriage way with multiple bends and curves. With the construction of the new expressway, road accidents have drastically reduced. Activities of Multinational construction companies has significantly increased the GDP of the country.

METHODOLOGY

Presented in this are the nature of the study, the research design used with regard to presentation, analysis and interpretation, the philosophical assumptions, research participants, role of the researcher, data sources, the data collection process, data analysis, trustworthiness which includes the following: credibility, confirmability, transferability and dependability of the study and all individuals involved and the ethical considerations in the process.

RESEARCH RESULT AND DISCUSSION

Multinational corporations are known to engage in exploitative practices to achieve maximum profit returns in locations where investments have been made. Those who observe multinational corporations as the driving forces behind economic growth assert that the corporations provide resources that are typically unavailable or insufficiently available (Odunlami & Awolusi, 2015). Multinational and indigenous construction industries have consistently been involved in the construction processes at different levels. The construction industry in Nigeria is divided into the informal and formal sector. The informal sector remains unorganised with little to no reliable information which focusses on simple residential infrastructure and similar buildings constructed by private individuals through the activities of artisans and labourers. The formal sector however is more organised and involves the activities of the multinational and some indigenous construction companies. The formal sector also operates under strict rules and guidelines by the government (Dantata, 2007).

The Nigerian government over the years have continued to use multinational corporations based on their past experiences with these companies. Also, these companies have maintained proper standards in building construction without cutting corners to reduce quality of infrastructure. The activities of these multinational corporations have brought about increase in competition among the construction firms with the indigenous construction companies improving their capacity so that they can carry out government contracts.

CONCLUSIONS AND RECOMMENDATIONS

Nigeria remains Africa's largest economy with a lot of potential to improve its economy. Deficit in infrastructure implies that the construction industry would continue to play an integral role in the development of the country. Nigeria's budgetary allocation towards infrastructure has considerably increased over the years. However, there is still need for more attention in the construction industry by the government in the areas of contract formulation and approval so as to prevent wastage of money that could be needed in other sectors of the country. The country needs to improve local capacity so as to reduce the cost of

construction. Also, collaboration between foreign and local firms should be encouraged by the government. The country also critically needs to evaluate companies issued contracts and regulate the standards of operations of both foreign and local construction firms.

The activities of Multinational construction corporations should be effectively regulated in the country. Government can play an instrumental role in regulating the activities of these foreign companies through setting up policies and standards of operations. The Nigerian government can also assist in improving the capacity of the indigenous construction firms by making multinational constructing companies to partner and collaborate in the construction processes. Government should also ensure that labourers working for such foreign firms are adequately paid and not exploited.

In addition to requiring that these foreign corporations collaborate with local enterprises to complete projects, the Nigerian government should also ensure that the foreign companies train local engineers and labour force, impart technological know-how, and assist in the development of local capacity. Academic curriculum of government owned tertiary institutions also need to be reviewed and updated, so that graduates in construction related disciplines can be knowledgeable about modern standards and techniques in building construction.

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