FINANCIAL FACTORS AND IMPACTS OF PROJECT DELAYS IN MALAYSIAN CONSTRUCTION INDUSTRY

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ABSTRACT

The construction industry has been determined as one of the main pillars toward a country’s development. Project delays are one of the crucial issues facing the construction industry. Delays give major impacts in terms of on time project delivery, cash flow management, and the required quality. Previous studies highlighted general factors of delay that lead to the failure of contractor performance, including non-financial factors, but financial factors are significant issues in the Malaysian construction industry. Therefore, this study investigated the factors and impacts of financial difficulties faced by contractors in the Malaysian construction industry. The study objective was to investigate the causes of financial issues, to analyse the implications of financial issues and its effects, and to identify the available options and strategic methods to resolve these financial issues. Structured interview sessions were conducted using standard structured questions involving seven respondents who were selected based on their experience and competence in running construction projects in Malaysia. The results of the study revealed that the main causes of delay in construction projects included lack of cash flow management, past due payment received from client, and difficulties in obtaining funds from financial institutions. The implications of these financial issues and their effects on delayed projects would lead to total abandonment, delayed for one to three years from expected delivery date to the clients, increased costs of the project, low quality workmanship, incomplete construction projects, bad reputation to the contractors and clients, budget overrun, time overrun, upward review of contract sum, and revised contract prices. The recommendations to improve and overcome financial issues faced included better managing the cash flow, budget, and payment received from clients.

Keywords: Project Delay; Construction Industry; Financial Factors and Impacts; Contractor; Malaysia.
ABSTRAK


Katakunci: Kelewatan Projek; Industri Pembinaan; Faktor dan Kesan Kewangan; Kontraktor; Malaysia
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LIST OF ABBREVIATIONS

And others
For example
And so on
Contractor

Et al
i.e.
etc.
CT
CHAPTER 1

INTRODUCTION

1.1. Background of Study

Historically, construction industry has been determined as one of the main pillar towards a country’s development. Thus, construction industry has gained national attention. Barrie and Paulson (1992) has defined construction industry as “the extent of which the facilities are designed and constructed with the available materials from the suppliers and labour as stipulated by the government’s regulatory agencies in the area of safety, health and employment”.

Evidences from literatures in constructions domain have illustrated ineffective financial management and insufficient capital as crucial factors of construction failure (Kangari, 1988; Navon, 1996). In addition, insufficient fund amongst the contractor also have contributes to the project failure (Yin, 2006). Dissimilar with manufacture sector, most of the contractors only have construction equipment which is not considered as a fixed asset such land and building. For financial institution, this construction equipment is considered as moving assets and cannot be addressed as collateral for construction loans. With absent of financial support, it is difficult for contractor to undertake the project. Furthermore, project low profits margins also are considered as financial problems among the contractor (Hasmori et al., 2012).

This research is continues research of construction delays of construction industry in Malaysia environment. Project delay problem has been considered as worldwide
REFERENCES


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Taylor, J. E., & Jaselskis, E. J. (2009). Introduction to the special issue on research methodologies in construction engineering and management.


APPENDIX

Structure questions of interview

1. Do you have any experience of delayed construction projects and what were the projects involved?

2. What were the causes of the financial issues relating to the projects delayed?

3. What were the implications of financial issues and its effects on the projects delayed?

4. How to improve and overcome financial issues faced?