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**FINANCIAL FACTORS AND IMPACTS OF PROJECT
DELAYS IN MALAYSIAN CONSTRUCTION
INDUSTRY**



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**FINANCIAL FACTORS AND IMPACTS OF PROJECT DELAYS IN
MALAYSIAN CONSTRUCTION INDUSTRY**

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**Thesis Submitted to
School of Economics, Finance and Banking,
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in Fulfillment of the Requirement for the Degree of
Master of Science (Finance)**



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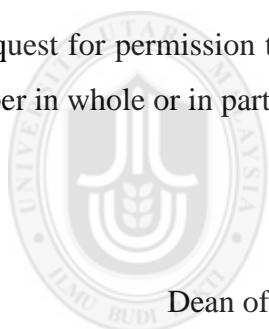
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ABSTRACT

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

Industri pembinaan telah dianggap sebagai salah satu tunggak utama ke arah pembangunan negara. Kelewatan projek adalah salah satu isu utama yang dihadapi oleh industri pembinaan. Kelewatan memberi kesan utama dari segi kesiapan projek pada masanya, pengurusan aliran tunai dan kualiti yang dikehendaki. Kajian sebelum ini telah menyelidik faktor umum tentang kelewatan yang membawa kepada kegagalan prestasi kontraktor termasuklah faktor bukan kewangan namun didapati faktor kewangan adalah merupakan isu penting dalam industri pembinaan di Malaysia. Oleh itu, kajian ini adalah untuk mengkaji faktor dan kesan masalah kewangan yang dihadapi oleh kontraktor dalam industri pembinaan di Malaysia. Objektif kajian ini adalah untuk menyelidik punca isu-isu kewangan, menganalisa implikasi isu-isu kewangan dan kesannya, dan untuk mengenalpasti pilihan yang ada dan kaedah strategik untuk menambah baik isu-isu kewangan yang dihadapi. Temuduga berstruktur telah dijalankan melalui soalan standard berstruktur di kalangan kontraktor. Tujuh responden terdiri daripada kontraktor berpengalaman dan berkelayakan yang terlibat dalam projek pembinaan di Malaysia. Keputusan kajian menunjukkan bahawa punca utama kelewatan dalam projek pembinaan adalah disebabkan oleh kekurangan pengurusan aliran tunai, pembayaran lewat diterima daripada klien, dan kesukaran untuk mendapatkan dana dari institusi kewangan. Implikasi isu-isu kewangan dan kesannya terhadap projek-projek yang ditangguhkan adalah membawa kepada projek terbengkalai, ditangguhkan selama satu hingga tiga tahun dari tarikh penghantaran dijangka kepada klien, meningkatkan kos projek, mutu kerja berkualiti rendah, projek pembinaan tidak siap, reputasi buruk kepada kontraktor dan pelanggan, lebih belanjawan, lebih masa, penilaian semula ke atas jumlah kontrak dan harga kontrak disemak semula. Cadangan-cadangan untuk memperbaiki dan mengatasi masalah kewangan yang telah dihadapi adalah, aliran tunai diuruskan dengan baik, belanjawan diuruskan dengan baik dan mengurus dengan baik pembayaran yang diterima daripada klien.

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

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TABLE OF CONTENTS

PERMISSION TO USE	i
ABSTRACT	ii
ABSTRAK	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	vii
LIST OF FIGURES	vii
LIST OF ABBREVIATIONS	vii
CHAPTER 1	1
INTRODUCTION	1
1.1. Background of Study.....	1
1.2. Introduction to Malaysia construction industry.....	3
1.3. Problem Statement.....	4
1.4. Research Questions.....	5
1.5. Research Objectives.....	6
1.6. Significance of Study.....	6
1.7. Scope and Limitations of the Study.....	7
1.8. Organization of the Thesis.....	7
CHAPTER 2	8
LITERATURE REVIEW	8
2.1. Introduction.....	8
2.2. Nature and effect of construction delay.....	8
2.2.1. Type of delay.....	8
2.2.2. Critical and non-critical delays.....	10
2.2.3. Excusable and non-excusable delay.....	10
2.2.3.1. Excusable.....	10
2.2.3.2. Non-excusable delay.....	11
2.3. Previous studies in construction delay.....	12
2.4. Construction delay interrelated with financial issues.....	13
2.4.1. Payment failures.....	15
2.4.2. Cash flow issues.....	16
2.4.3. Financial resource issues.....	18
2.4.4. Market issues.....	18

2.5. Chapter summary	19
CHAPTER 3	20
METHODOLOGY	20
3.1. Introduction.....	20
3.2. Research Design.....	20
3.3. Research Process.....	21
3.4. Data Collection	23
3.4.1. Primary Data Collection.....	23
3.4.2. Secondary Data Collection.....	25
3.5. Data Analysis in qualitative studies	25
3.6. Strategy Adopted for This Research	26
3.7. Chapter Summary	28
CHAPTER 4	29
ANALYSIS OF FINDINGS	29
4.1. Introduction.....	29
4.2. Respondents Profile	29
4.3. Data analysis and discussion of findings from interviews	30
4.3.1. Findings of question 1 – Experience of project delayed	31
4.3.2. Findings of question 2 – Investigating project delayed cause of financial factors.....	32
4.3.3. Findings of question 3 – Implication analysis of financial issues and its effects on the construction projects delayed.....	34
4.3.4. Findings of question 4 – Identifying the option available and strategic methods to improve financial issues faced in question 2 and 3	36
4.4. Discussion of findings.....	40
4.5. Chapter Summary	42
CHAPTER 5	44
CONCLUSION	44
5.1. Introduction.....	44
5.2. Summary of the Study	44
5.3. Implications of the Study	45
5.4. Limitations	45
5.5. Recommendations for Further Research.....	46
REFERENCES	
APPENDIX	

LIST OF TABLES

Table	Description	Page
2.1	Summarized of Delay Causes	12
2.2	Financial Related Issues (Ahmed et al ,2003; and Arditi et al. 1985)	14
4.1	Respondents profile	30
4.2	Summarized of main findings	40

LIST OF FIGURES

Figure	Description	Page
3.1	Planned research process	21
3.2	Flow Chart Research Methodology	22

LIST OF ABBREVIATIONS

And others	Et al
For example	i.e.
And so on	etc.
Contractor	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

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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?



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