



DEPARTMENT OF QUANTITY SURVEYING
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RESEARCH PROPOSAL

TOPICS:

**Conditional Payment Invalidated and Construction
Industry Payment and Adjudication Act 2012 for a
Sustainable Payment Flow**

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ABSTRACT

The payment is said to be the blood line of the construction industry. Payment is a type of reward that is allowed to an organisation or person as token for completing a certain task and is very important to be followed accurately on time to avoid problems in the industry. However, late and non-payment issue has never been away from the construction industry. There are many methods of payment being used by the main contractor to pay the subcontractors. Yet, one of the methods that has been identified to be culprit of payment issues to be used is the conditional/contingent payment or back-to-back payment method. The government established the Construction Industry Payment and Adjudication Act (CIPAA) to solve the payment issues. Yet, there are still documented cases where this conditional payment method is still being implemented in the construction industry. Thus, the aim of this research is to suggest the best ways to make sure the payment flow in Malaysia is sustainable through CIPAA implementation. In this study, the objectives of this research are to identify common payment issues in Malaysia construction industry, to investigate the main causes of payment issues in Malaysia construction industry and to determine the best solution in sustaining payment flow in Malaysia and implementation of CIPA Act 2012. To achieve these objectives, quantitative method of research is used and questionnaire were selected as the tools for data collection. The adoption of stratified random sampling method was used for data collection. The questionnaires were developed and distributed to contractor Grade 1, Grade 2, and Grade 3 firms registered with CIDB. The data were then analysed using Statistical Package Social Science (SPSS) software version 27. As for conclusion, late payment has been seen as the payment issue in the construction industry. Other than that, pay-when-paid method were seen as one of the causes of this problem. Then, most of the subcontractors were aware of the Construction Industry of Payment and Adjudication Act 2012, however majority of them do not understand the implementation of the Act. As recommendation, respondents agreed with most of the methods suggested in the questionnaire to improve the payment flow in Malaysia construction industry.

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CHAPTER 1 - INTRODUCTION

1.1 Background of Research

The construction industry is essential for the physical development of nations, providing shelter for social and business purposes. The construction industry plays an important role in the economic growth of every country. It provides great support for aggregating economy through backward and forward linkages with other economic sectors. It also contributes to the creation of enormous employment in the economy.

However (Wong, n.d) stated that, Malaysia construction industry faces a lot of problem such as high fragmentation, instability, lack of standards, poor quality, lack of standards and low productivity. In addition, next year's slower economic growth in the midst of the revision of mega-projects and in line with the slowdown in the global construction sector is often due to a reduction in development expenditure in the 2019 budget (Bernama, 2018).

In Malaysia, payment issue is a never-ending problem associated with construction industry. This issue usually occurs between contractor and subcontractor. The payment issue that occurs are either late payment or non-payment by the employer. Dispute in the construction industry can be caused by late payment and non – payment to the contractor or subcontractor. Even though the construction industry is well developed nowadays, payment issue is still considered as a major problem. Payment issue can give bad image of construction industry in Malaysia. The government established the Construction Industry Payment and Adjudication Act (CIPAA) to solve the payment issues. The act can be applied to all construction contract