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PERAK

EFFECTS OF LATE PAYMENT TOWARDS ROAD PROJECTS DELAY

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ABSTRACT

Nowadays in Malaysia, there are many projects being constructed to fulfil the demand of the rising economy. Apart from building projects, road projects are also important. The construction of road is vital for developing country. However, some of the road projects experienced delays. The delay in the completion of the road projects brings a lot of negative impacts in terms of time, cost, quality and safety on project success. Late payment is a common cause of disputes in the road construction projects. The aim of this study is to identify the factors that contribute delay in payment and its impact on the implementation of road construction projects. To achieve this aim, there are three (3) objectives arise namely (1) to identify the factors causing late payment on the implementation of road construction projects; (2) to determine the consequences of late payment; and (3) to suggest possible solutions in mitigating late payment problems on the successful implementation of road construction projects. The study would be limited to the views expressed by G7 contractors that involved in roadwork construction projects in the state of Kelantan. One hundred (100) questionnaires were distributed during data collection stage and only 40 responses received. The data that have been collected completely was analysed by using Statistical Package for Social Sciences (SPSS) software. Results indicated that the main factor causing late payment on road construction projects is delay in certification. Meanwhile, the major effect among the effects of late payment on road construction projects is create cash flow problems which ranked first by respondents after analysis. Among the possible solutions to mitigate late payment is to negotiate payment terms with client to facilitate a healthy cash flow. As conclusion, the expectation of this research will help the contractor to be aware with these problems of late payment before embarking on any construction projects.

Keywords: Late Payment; Delays; Road construction project

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TABLE OF CONTENTS

ABSTRACT i

ACKNOWLEDGEMENT ii

TABLE OF CONTENTS iii

LIST OF FIGURES viii

LIST OF TABLES ix

LIST OF ABBREVIATIONS x

CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION 1

1.2 PROBLEM STATEMENT 2

1.3 AIM OF RESEARCH 4

1.4 RESEARCH OBJECTIVES 4

1.5 SCOPE OF RESEARCH 4

1.6 SIGNIFICANCE OF STUDY 5

1.7 RESEARCH METHODOLOGY 5

1.8 CHAPTER ORGANIZATION 8

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION 10

2.2 DELAY 11

2.3 PAYMENT 12

2.3.1 Types of Payment 12

2.3.2 Payment to Contractor in Government Project 14

2.3.3 Late Payment 15

2.4 CAUSE OF LATE PAYMENT 16

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The chapter extensively review previous studies done by researchers on the effects of late payments on the successful implementation of road construction projects. The review is composed of brief description of payment and late payment, causes of late payments in road construction, effects of late payment on road projects and the possible solutions in mitigating late payment on the successful implementation of road construction projects. Even though the subject of project delays has been mentioned by many researchers within the past decades, still some of the road projects experienced the same problem.

Delay can give rise to disruption of work and loss of productivity, late completion of project, increased time related costs and third party claims and abandonment or termination of contract (Anosik & Obodoh, 2016). Late payment is a common cause of disputes in the road construction projects. According to Hamid *et al.* (2015), there are many evidence that link project delay due to inefficiency of payment system. Payment disputes is a major problem in the construction industry (Ye & Abdul Rahman, 2010). Therefore, it is necessary to define the actual causes of late payment on the implementation of road construction project in order to ensure that the road constructions can be completed within the agreed period.