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# PROCEEDING FOR INTERNATIONAL COLLOQUIUM ON NEXTGEN CONSTRUCTION

# 2025

*Future-Ready Construction and Facility Management:  
Driving Research and Innovation for a Smart Built Environment*

**PROCEEDING FOR  
INTERNATIONAL COLLOQUIUM ON  
NEXTGEN CONSTRUCTION  
2025**

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## THE EFFECTS OF ABANDONED PROJECTS TOWARDS ECONOMIC DEVELOPMENT IN SARAWAK

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### Abstract

Increasing temperature and Heat Island (UHI) impacts in cities are the results of climate change and fast economic progress. This is severely hampered by abandoned building projects, especially in Sarawak, Malaysia. The purpose of this study is to investigate the frequency, reasons, and effects of abandoned projects on the economy of Sarawak. The study aims to ascertain the number of abandoned projects in Malaysia, determine the variables that contribute to abandonment in the construction sector of Sarawak, and examine the financial effects of these projects. This study identifies important reasons like financial mismanagement, inadequate project planning, political instability, and unforeseen technical obstacles as the main causes of project abandonment after conducting a thorough analysis of the body of current literature, government reports, and case studies. According to the findings, abandoned projects not only result in large financial losses for stakeholders but also waste resources, erode investor confidence, and impede the development of infrastructure, all of which have a detrimental effect on economic growth. In addition, the presence of unfinished projects raises environmental and safety risks as well as social issues like increased crime rates in the affected areas. The primary data is collected through quest and the SPSS software was used for data analysis. The study's focus on how misallocating cash to abandoned initiatives diverts monies from other viable economic activities further slows the region's growth. Strict project appraisal protocols, effective financial planning, improved governance, and laws intended to revitalize or repurpose abandoned projects are all necessary components of a complete strategy to solve these issues.

**Keywords:** Abandoned Projects, Economic Impacts, Sarawak Construction Industry

### 1. INTRODUCTION

In this study, an abandoned project is either 1) entirely abandoned or 2) postponed indefinitely. At any stage of a project's life, abandoning might lead to any loss. The Ministry of Housing and Local Government (MHLG) defines abandonment as a signed Sales and Purchase Agreement (S&P) and no activity at the construction site for a year after the planned completion date or the S&P signing date, if the developer has received 10% of the buyer's payment (Abdul Rahman et al., 2015). Abandoned projects have long plagued Malaysia's construction industry. Money is wasted on project abandonment. Depending on the type of project, abandoned efforts have varying repercussions. The impact of private non-housing initiatives is primarily limited to project participants including clients, consultants, and contractors. However, the affected parties suffer money losses, reputation damage, and even bankruptcy. Although public initiatives affect all citizens, their effects are not immediately felt because of government reserves (Abdul-Rahman et al., 2016). If public initiatives are abandoned due to poor planning or cost overruns, they waste resources and prevent the public from achieving their stated aims.

## **2. LITERATURE REVIEW**

The building and real estate sectors in Malaysia have been plagued by abandoned projects for numerous years. Often, projects are abandoned owing to unreasonable delays or incompletions, resulting in major economic, social, and environmental costs. According to Abdul-Rahman et al. (2015), abandoned initiatives are becoming increasingly common in urban and rural locations. Statistical reports indicate that several construction projects, especially residential development, are abandoned due to budgetary constraints, bad management, and regulatory non-compliance. Over the past decade, the Ministry of Housing and Local Government (KPKT) has identified hundreds of approved but unbuilt projects, highlighting their impact on purchasers, contractors, and the economy. Malaysia has a significant risk of project abandonment in its building sector due to complex finance mechanisms and collaborations. Research indicates that financial insolvency of developers is the primary reason for over 60% of abandoned projects in certain regions (Dharmasegaran & Nagamany, 2016). However, delays in approvals, disagreements between parties, and an unforeseen economic collapse have exacerbated the issue. During the late 1990s Asian financial crisis and 2008 global economic slump, several Malaysian construction projects stagnated or were abandoned due to insufficient funding and market demand.

## **3. METHODOLOGY**

The methodology is a description of the method utilized in gathering, analyzing, and interpreting data aimed at fulfilling the research goals. The research methodology employed is a quantitative research approach, using the survey method of structured questionnaires. This method suits the collection of factual and measurable information from the target population from the construction industry. The study incorporates both primary and secondary data collection. Primary data is gathered using questionnaires sent to respondents who are stakeholders in the construction industry. The questionnaire is organized into various sections, such as demographic data and statements scored on a Likert scale, to elicit respondents' perceptions and experiences about the impacts of abandoned construction projects. Secondary data are collected via a thorough review of literature on scholarly articles, government reports, reports, and other reliable sources. The sampling method used in this study is non-probability sampling, that is, quota sampling. The reason for this selection is the practicality and effectiveness in recruiting participants who are easily accessible and willing to participate in the research. Data gathered is processed using IBM SPSS software. Data analysis involves data cleaning, frequency distribution, missing value analysis, reliability testing, and descriptive statistical analysis. Thematic analysis is also employed to analyze qualitative responses, offering a more in-depth understanding of the research findings. The questionnaires were distributed to 150 respondents and answered by 113 respondents where 64 are male respondents and 49 are female respondents.

#### **4. FINDING AND DISCUSSION**

This study shows how abandoned projects damage Malaysia's economy. Research indicates a positive correlation ( $r = 0.812^*$ ;  $p < 0.01$ ) between project abandonment factors and economic impacts. This association is enhanced by regression analysis, with a  $R^2$  coefficient of 0.660 showing that these factors explain 66% of economic development variation. These findings support earlier studies that project abandonment disrupts economic order and progress (Adebisi et al., 2018). The investigation identified poor financial management as a major issue. Misallocation of finances halts project progress. This supports Owusu et al. (2019), who indicated financial concerns during project implementation cause abandonment. Critiques of construction project management Project management can become political and lead to project abandonment, which wastes public and private funds. Financial control lowers project risk. The timeframe was also delayed by project setbacks. Strategy implementation can be delayed by poor planning, stakeholder mismanagement, or global causes like legislative changes. They delay, cost more, and sometimes terminate projects. Gebrehiwet and Luo (2017) found that delays damaged project feasibility and the economy. Regulations are important too. Complexity and inculcation typically abandon projects. Stent laws may deter investors, abandoning projects. Bureaucracy hampers Malaysian construction, thus this is vital. For sustainable project delivery, Yap et al. (2020) suggested regulatory framework consistency. Economic consequences make the study's findings important. Canceled projects waste resources, lose investor faith, and reduce economic opportunity. Current infrastructure projects hamper service delivery, postponing development in such regions. According to (Zuhairi et al., 2024), employment and business impacts boost economic impacts. Case-based study links abandoned efforts to economic development issues, proving stakeholder involvement is vital. Early resolution of project issues, boycotts, and disagreements can be achieved through organizational communication. The result supports Kivits et al. (2021)'s stakeholder theory that all project stakeholders must be satisfied.

#### **5. CONCLUSION**

Research indicates linkages between abandoned initiatives and their causes, which impact economic development. The biggest concerns to project abandonment are financial, schedule, and legal/regulatory issues, which need to be addressed to maintain Malaysia's growth viewpoint. Statistical analysis reveals considerable influence of these determinants on economic performance, highlighting the need for targeted measures to prevent project abandonment. The study indicates that challenges in management, time, and compliance significantly impact economic growth. Understanding these processes helps policymakers, industry practitioners, and stakeholders avert project abandonment and promote development.

#### **6. ACKNOWLEDGMENT**

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