

# [1. be the life-blood of the construction industry.](https://assignbuster.com/1-be-the-life-blood-of-the-construction-industry/)

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1.      Introduction to project titleTheconstruction industry plays a significant role in Malaysian economy.

The Malaysian economy achieved 6. 2percent of Gross Domestic Product in 2017. It was the strongest growth in over3 years. (Tradingeconomics.

com, 2018) Besides, construction industry create a multiplier effects to otherindustries including transportation, financial services, manufacturing and etc. Although the construction industry is deemed as a matured industry in Malaysia, however it is perplexed with much problems. (Azman et al., 2014) One of the main problems thatdrawn the society’s attention is dispute between the parties. Constructionindustry is brimming with competitiveness and complexity environment due to theparties involved work together with different perspective. Parties involvedfrom various professions have their own goal and each one anticipate to maketheir own benefits from it. Thus, conflicts are inevitable.

If the conflictsare not handled well, it will escalate into disputes. (Cakmak and Cakmak, 2013) Disputesin construction industry can be defined as a problem or disagreement betweenthe parties involved and cannot be handled by the project manager. Disputes canbe damaging and expensive.

It can be caused by one simple reason and furtherlead to a substantial set of interrelated complicated disputes.(Mahamid, 2016)It may cause of adversarial relationship between the parties involved. Payment, not unexpectedly, has always been the main subject of dispute. (Kennedy et al., 2005) Payment issues are an old age problems as pervading in Malaysian constructionindustry. Contractors and parties in construction industry complain eitherpayment is delayed or not getting paid by the employer. Late payment andnon-payment issue in the construction industry are considered as a criticalfactor of significant concern to all the parties involved in construction industry.

Late and non-payment will cause cash flow problems especially to contractors. Thus, a smooth cash flow can ensure the project delivery on time and the achievementof the quality required. Thispaper identifythe causes of disputes due to late or non-payment in the construction project. Besides, the study also focuses on the causes of late or non-payment in theconstruction project and identifies the possible resolution to resolve theissue of late or non-payment. 2.

Problem StatementDisputes are one of the vitalproblems which hindered the successful completion of a construction project. Italso stated that payment not unexpectedly, has always been the main subject ofdispute. (Hasmori et. al)Payment has been said to be thelife-blood of the construction industry. Yet there remains a continuing problemof delayed and non-payment in the Malaysian construction industry calling forthe entire delivery chain. (Ameer Ali, 2005) Paymentissue has been identified as the main subject of construction disputes. (Azman et al.

, 2018)  Although there are mechanismsprovided in many standard forms of construction contracts dealing with paymentfrom the client to the contractor, yet there remains a chronic problem of lateand non-payment issues in the Malaysia construction industry.(Ameer Ali, 2005) It is common to find that acontractor and sub-contractor threaten to suspend the work under the contractuntil the payment is paid by the client. (Murdoch and Hughes, 1996)  It has to be noted that theconstruction payment blues have domino effects on the payment chain of aconstruction project. (Davis Langdon & Seah Consultancy, 2003) As anillustration, late payment due to the main contractor by the client will also causethe delay of the payment due to the sub-contractor by the main contractor aspay when paid provision is allowed in the contract documents.

Due to thissituation, late or non-payment can possibly lead to a formal disputeresolution. However, theconstruction industry is always in dispute prone one. It is therefore commonfor the claimant pursuing his claim for works and services rendered to meetwith a cross claim instead for defective work, delayed completion etc. Sopayment is always postponed until the resolution of the dispute. (Cheng, 2018)  3.

Research AimThe aim of thisresearch is to minimize the occurrence of the construction dispute due to lateor non-payment in the Malaysia construction project. Besides, it also aim withthe purpose of raising the awareness of the importance of payment on time inorder to ensure the construction project to be completed in term of time, costand quality.  4.

Research Objectives·        To identify the cause of late or non-payment inconstruction project.·        To investigate the effect of late or non-payment inthe construction project.·        To identify the possible resolution to resolve theissue of late and non-payment in construction industry. 5.      Key Questions·        What are the causes late or non-payment inconstruction project?·        What are the effects of late or non-payment in constructionproject?·        What are the possible resolution of late ornon-payment in the construction project?               6.      ImportanceIn a construction project, there  is always unexpected issues cropped up duringconstruction. Late payment or non-payment by the employer to the contractor isa critical issue that drawn the attention by the contractors.

Late payment bythe employer will bring an huge impact to the contractors especially thecontractors with small capital.  Furthermore, it also create negative chaineffect to others parties such as suppliers, sub-contractor and end users. Thus, payment on time by the employer to thecontractor can enhance the possibility of  the project delivered on time with the qualityrequired.  7.      Literature ReviewThe literaturereview of this study will conduct the definition of dispute and late ornon-payment in the construction project. Besides, causes of late ornon-payment, effects of late or non-payment and the possible resolution toresolve the issue of late and non-payment in Malaysia construction industry.                8.      Research Methodology 9.

Limitation / Scope of StudyThis research is focused on the contractors which areregistered under CIDB with the Grade 1 to Grade 7. In addition, the respondentsin this research are the contractor which located in Kuala Lumpur area, otherstates are not included. 10.

Proposed Contents Chapter 1: IntroductionIn this chapter, the background overview of the dispute will beexplained. Besides, late payment and non-payment issue encountered by thecontractor in construction industry will be briefly discussed along with theproblem statement, aims and objectives, scope and limitation of research andrationale of study. Chapter 2: Literature ReviewIn chapter two, it will focus in outlining thesecondary data from existing literature such as journals, researches, government publication and etc.

Furthermore, the definition of terms stated inthe title, overview of dispute due to late or non-payment and causes andeffects of late or non-payment which gathered from the existing literature willbe discussed.  Chapter 3: Research MethodologyChapter3 describes the design and method of research to achieve the researchobjective. With the steps and methodology, it able to provide a guideline tothis research. Research process, questionnaire design, data collection and dataanalysis will be explained in order to lead the way till the achievement of theresearch objectives.

Chapter 4 : Data Collection and AnalysisIn this chapter, the result will be collected andanalyzed in order to reach the research objectives of the research. The resultand data from the questionnaire will be analyzed and explained in order toreach the objectives.   Chapter 5: Conclusion and RecommendationThis chapter will summarize and conclude theresearch findings, problems statement and solution and recommendation for the research.