

1. be the life-blood of the construction industry.

[Business](#), [Industries](#)



1. Introduction to project title The construction industry plays a significant role in Malaysian economy.

The Malaysian economy achieved 6.2 percent of Gross Domestic Product in 2017. It was the strongest growth in over 3 years. (Trading Economics,

com, 2018) Besides, construction industry create a multiplier effects to other industries 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 that drawn the society's attention is dispute between the parties. Construction industry is brimming with competitiveness and complexity environment due to the parties involved work together with different perspective. Parties involved from various professions have their own goal and each one anticipate to make their own benefits from it. Thus, conflicts are inevitable.

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

It can be caused by one simple reason and further lead 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 construction industry. Contractors and parties in construction industry

complain either payment is delayed or not getting paid by the employer. Late payment and non-payment issue in the construction industry are considered as a critical factor 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 achievement of the quality required. This paper identifies the 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 the construction project and identifies the possible resolution to resolve the issue of late or non-payment. 2.

Problem Statement Disputes are one of the vital problems which hindered the successful completion of a construction project. It also stated that payment not unexpectedly, has always been the main subject of dispute. (Hasmori et. al) Payment has been said to be the life-blood of the construction industry. Yet there remains a continuing problem of delayed and non-payment in the Malaysian construction industry calling for the entire delivery chain. (Ameer Ali, 2005) Payment issue has been identified as the main subject of construction disputes. (Azman et al.

, 2018) Although there are mechanisms provided in many standard forms of construction contracts dealing with payment from the client to the contractor, yet there remains a chronic problem of late and non-payment issues in the Malaysia construction industry. (Ameer Ali, 2005) It is common to find that a contractor and sub-contractor threaten to suspend the work under the

contract until the payment is paid by the client. (Murdoch and Hughes, 1996)

It has to be noted that the construction payment blues have domino effects on the payment chain of a construction project. (Davis Langdon & Seah Consultancy, 2003) As an illustration, late payment due to the main contractor by the client will also cause the delay of the payment due to the sub-contractor by the main contractor as pay when paid provision is allowed in the contract documents.

Due to this situation, late or non-payment can possibly lead to a formal dispute resolution. However, the construction industry is always in dispute prone one. It is therefore common for the claimant pursuing his claim for works and services rendered to meet with a cross claim instead for defective work, delayed completion etc. So payment is always postponed until the resolution of the dispute. (Cheng, 2018) 3.

Research Aim The aim of this research is to minimize the occurrence of the construction dispute due to late or non-payment in the Malaysia construction project. Besides, it also aims with the purpose of raising the awareness of the importance of payment on time in order to ensure the construction project to be completed in terms of time, cost and quality. 4.

Research Objectives

- To identify the cause of late or non-payment in construction project.
- To investigate the effect of late or non-payment in the construction project.
- To identify the possible resolution to resolve the issue of late and non-payment in construction industry. 5.

Key Questions

- What are the causes late or non-payment in construction project?
- What are the effects of late or non-payment in

construction project? What are the possible resolution of late or non-payment in the construction project?

6. Importance In a construction project, there is always unexpected issues cropped up during construction. Late payment or non-payment by the employer to the contractor is a critical issue that drawn the attention by the contractors.

Late payment by the employer will bring an huge impact to the contractors especially the contractors with small capital. Furthermore, it also create negative chain effect to others parties such as suppliers, sub-contractor and end users. Thus, payment on time by the employer to the contractor can enhance the possibility of the project delivered on time with the quality required.

7. Literature Review The literature review of this study will conduct the definition of dispute and late or non-payment in the construction project. Besides, causes of late or non-payment, effects of late or non-payment and the possible resolution to resolve the issue of late and non-payment in Malaysia construction industry.

8. Research Methodology 9.

Limitation / Scope of Study This research is focused on the contractors which are registered under CIDB with the Grade 1 to Grade 7. In addition, the respondents in this research are the contractor which located in Kuala Lumpur area, other states are not included.

10. Proposed Contents Chapter 1: Introduction In this chapter, the background overview of the dispute will be explained. Besides, late payment and non-payment issue encountered by the contractor in construction industry will be briefly discussed along with the problem statement, aims and objectives,

scope and limitation of research and rationale of study. Chapter 2: Literature Review In chapter two, it will focus in outlining the secondary data from existing literature such as journals, researches, government publication and etc.

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

Chapter 4 : Data Collection and Analysis In this chapter, the result will be collected and analyzed in order to reach the research objectives of the research. The result and data from the questionnaire will be analyzed and explained in order to reach the objectives. Chapter 5: Conclusion and Recommendation This chapter will summarize and conclude the research findings, problems statement and solution and recommendation for the research.