

Late Payment Issues Faced by Subcontractors in the Malaysian Construction Industry

Authors : Nur Emma Mustaffa, Hii Ping Ping

Abstract : Late payment is a common issue in the construction industry and the subcontractors are not spared from it. This study has been carried out with the objectives to identify the implications of late payment issues toward the subcontractors and the strategies adopted by them to overcome the late payment issues. In terms of the strategies which can be adopted in overcoming the late payment, the subcontractors may suspend or slow down the construction process, making periodic follow up with the client, demand the rights to interest on late payment or the issuance of a promissory note by the client. The focus of the study is primarily on Grade 4 to Grade 7 contractors in Johor Bahru, Malaysia who carried out subcontracting works and registered under Construction Industry Development Board (CIDB). Employing survey as the main research method for data collection, the analysis would therefore mainly be adopting Likert Scale Analysis, Ranking Analysis and Frequency Distribution Analysis. This research showed the main implication of late payment issues towards subcontractors is created financial hardship to them. Besides, the most effective strategy adopted by the subcontractors to overcome the late payment issues is follow-up with client using formal procedure. From the findings, most of the subcontractors had low level of experiences and frequency in the adoption of Construction Industry Payment and Adjudication Act (CIPAA) 2012 to solve the payment disputes in the construction industry. In a nutshell, it is hoped that these findings will become guidance to the subcontractors to overcome the late payment issues in their future projects.

Keywords : subcontractors, implications, strategies, CIPAA 2012, payment

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