

**A STUDY ON SPECIALIZED SUBCONTRACTORS'
PAYMENT PRACTICES IN SRILANKA**

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14910U

Degree of Master of Science in Construction Law and Dispute Resolution

Department of Building Economics

University of Moratuwa

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DECLARATION

I declare that this is my own work and this thesis / dissertation does not incorporate without acknowledgement any material previously submitted for a Degree or Diploma in any other University or institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgement is made in the text.

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ABSTRACT

The construction industry in Sri Lanka plays a vital role in the country development. There are several factors determining the efficiency of the construction industries. One of the important factors impair the efficiency of the industry is the payment delays experienced by the specialists small-scale sub-contractors, who implement the project activities at grass-root level. As a consequence, the construction project targets cannot be achieved. The aim of this paper is investigate the specialized subcontractors' payment practices in Sri Lanka.

In order to ascertain the payment delays period, causes for the delays and the challenges faced by the small scale specialized sub-contractors, information was collected through structured questionnaire surveys. Two separate surveys (Survey-one and Survey-two) were conducted with respondents. In Survey-one, the interim payment application provided by the respondents was carefully examined and the relevant data extracted and recorded in the questionnaires. The data collected in both the studies were analyzed using standard statistical procedures. The results of Survey-1 revealed that the majority of the specialized sub-contractors experienced payment delays of 1-2 weeks and the average payment delay was 11 days. Majority of interim payments application took 2-3 weeks for certification and the average was 14 days. Further, majority of certified interim payment application are paid in 1-2 weeks and average certified interim application payment done in 12 days.

In Survey-two The collected data were analyzed by using frequency distribution and relative important index (RII). Revealed that the top five causes of delay payment in the descending order of importance are contracting practices, lack of security of payment, delay in certification, employer's poor financial management and local culture. The Study-two also revealed that the top five challenges faced by specialized sub-contractors in delay payments in the descending order of importance are cash flow, delay in completion of project, insolvency, financial resource and market challenges. Appropriate mitigation strategies have been recommended to contain the sub-contractors payment delays for the successful implantation of construction industries to achieve the desired project targets.

Key words - Sri Lanka, construction industry, payment delays, specialized subcontractors, Interim Payment application,

DEDICATION

This dissertation is to my beloved family, in appreciation of their encouragement and support to pursue my career in academia and obtain this highest qualification in my life.

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TABLE OF CONTENTS

DECLARATION	i
ABSTRACT	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF FIGURES	ix
LIST OF EQUATIONS	ix
CHAPTER ONE	1
<hr/>	
1.0 INTRODUCTION.....	1
1.1 Background.....	1
1.2 Problem Statement.....	2
1.3 Aim of the Study.....	3
1.4 Objectives of the Study.....	3
1.5 Scope and Limitation.....	3
1.6 Research Methodology	4
1.7 Chapter Breakdown	5
CHAPTER TWO	6
<hr/>	
2.0 LITERATURE REVIEW – SPECIALIZED SUBCONTRACTORS` PAYMENT PRACTICES AND RELATED ISSUES	6
2.1 Introduction.....	6
2.2 The Construction Industry	6
2.3 Importance of Subcontractors in Sri Lankan Construction Industry	7
2.4 Method of Payment Practices in Construction Industry	9
2.4.1 Interim or Progress Payment Practices in Construction Industry	9
2.4.2 Stage Payment Practices in Construction Industry	10
2.4.3 Advance Payment Practices in Construction Industry.....	10
2.4.4 Retention Payment Practices in Construction Industry.....	11
2.4.5 Final Payment Practices in Construction Industry.....	11
2.5 Nature of Payment Defaults in Construction Industry	12
2.6 Delayed Payments Practices in Construction Industry.....	13

2.7 Contractual Provisions for Better Payment Practices	14
2.7.1 Payment under FIDIC 1999	14
2.7.1.1 Clause No 14.7- Advance Payment.....	14
2.7.1.2 Clause No 14.6 & 14.7- Interim Payment.....	14
2.7.1.3 Clause No 14.7- Final Payment.....	15
2.7.1.4 Clause No 14.9 -Retention Payment	15
2.7.1.5 Provisions for Payment Issues.....	15
2.7.2. Payment under ICTAD/SBD/2	16
2.7.2.1 Clause No 14.6 -Advance Payment.....	16
2.7.2.2 Clause No 14.5 & 14.6 - Interim Payments	16
2.7.2.3 Clause No 14.6 & 14.10 - Final Payment	17
2.7.2.4 Clause No 14.8 - Retention Payment	17
2.7.2.5 Provisions for Payment Issues.....	17
2.8 Causes of Delay Payment to Specialized Subcontractors.....	18
2.8.1 Employer's Poor Financial Management.....	18
2.8.2 Employer's Withholding Payment.....	19
2.8.3 Conflict among Parties Involved.....	19
2.8.4 Lack of Security of Payment.....	20
2.8.5 Delay in Certification.....	20
2.8.6 Contracting Practices	21
2.8.7 Technical Problems.....	21
2.8.8 Weak Management Practices	22
2.8.9 Lack of Proper Communication.....	22
2.8.10 Local Culture	23
2.9 Delay Payment Challenges to Specialized Sub contractors in Construction Industry	23
2.9.1 Cash Flow Challenges.....	25
2.9.2 Financial Resource Challenges	27
2.9.3 Market Challenges	28
2.9.4 Delay in Completion of Project	29
2.9.5 Insolvency	29

2.9.6 Abandonment of Project	30
2.9.7 Dispute Resolution.....	30
2.10 Summary.....	31
CHAPTER THREE	32
3.0 RESEARCH METHODOLOGY	32
3.1 Introduction.....	32
3.2 Research Design	32
3.3 Research Approach.....	33
3.4. Methods of Data Collection.....	33
3.4.1. Questionnaire Survey	34
3.4.2 Documentary Review.....	34
3.4.3 Structure of the Questionnaire Used for Survey One and Two	35
3.5 Types of Sampling.....	35
3.5.1. Questionnaire Sampling and Response Rate	35
3.6. Data Analysis Techniques	36
3.6.1. Analysis of Percentage of Data Occurrences	36
3.6.2. Analysis of Relative Influence Index (RII).....	37
3.6.3. Survey One: Specialized Subcontractors Payment Delay	38
3.6.4. Survey Two: Identify Important Causes and Challenges due to Delayed Payment.....	38
3.7 Summary.....	39
CHAPTER FOUR.....	40
4.0 ANALYSES AND RESEARCH FINDINGS	40
4.1 Introduction.....	40
4.2 Survey One – Project Characteristics and Interim Payment Applications.....	40
4.2.1 Participants Profile	42
4.2.2 Payment Delay and Duration	44
4.2.3 Agreed Contractual Payment Terms to Specialized Subcontractors	45
4.2.4 Delayed Payment Period to Specialized Subcontractors	46
4.2.5 Duration of Certified Interim Payment Application	47

4.2.6 Duration of Making Payments after Certified Interim Payment Application.....	48
4.3 Survey Two – Causes and Challenges in Delayed Payment	49
4.3.1. Profile of Participants	49
4.3.2 Causes of Delayed Payment.....	51
4.3.3 Challenges due to Delayed Payment.....	53
4.4 Summary.....	55
CHAPTER FIVE	56
5.0 CONCLUSIONS AND RECOMMENDATIONS.....	56
5.1. Introduction.....	56
5.2. Objective One – Payment Delays of Specialized Subcontractors	56
5.3 Objective Two - Causes of Payment Delays of Specialized Subcontractors.....	58
5.4 Objective Three – Challenges due to Delayed Payment	58
5.5 Recommendations.....	60
5.6 Further Research.....	61
REFERENCES	62
APPENDIX	75

LIST OF FIGURES

Figure 3.1: Research design	32
Figure 4.1: Payment Delay and Duration	44
Figure 4.2: Contractual Payment Terms	45
Figure 4.3: Period of Delayed Payment	46
Figure 4.4: Duration of Certified Interim Payment Application	47
Figure 4.5: Duration for Making Payments after Certification	48

LIST OF TABLES

Table 2.1: Type of Payment defaults	13
Table 4.1: Trade of Specialized Subcontractors	41
Table 4.2: Demographic profile of participants – Survey One	43
Table 4.3: Demographic Profile of Participants – Survey Two	50
Table 4.4: Causes of late payment	51
Table 4.5: Challenges due to delayed payment	53

LIST OF EQUATIONS

Equation 3.1: Percentage frequency distribution formula	37
Equation 3.2: RII	37

LIST OF ABBREVIATIONS

JCT	- Joint Contract Tribunal Form of Contracts
NEC	- New Engineering Contracts forms
FIDIC	- International Federation of Consulting Engineers
HGCRA	- Housing Grants, Construction and Regeneration Act 1996
CIDB	- Construction Industry Development Board
SBD	-Stranded Bidding Document
SP-C	- Specialized Subcontractors
ICTAD	- Institute for Construction Training and Development
CIDA	- Construction Industry Development Authority