

**STUDY ON PAYMENT DELAYS IN SMALL SCALE
CONSTRUCTION PROJECTS IN SRI LANKA
(BASED ON CASE STUDIES)**

By

D.H.S.Illangakoon

138956C

Supervised by

Dr.L. L. Ekanayake

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Department of Civil Engineering

University of Moratuwa

Sri Lanka

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Declaration

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.....
D.H.S.Illangakoon
(138956 C)

.....
Date:

The above candidate has carried out research for the Dissertation under my supervision.

.....
Dr.L.L.Ekanayake (Supervisor)
Department of Civil Engineering
University of Moratuwa.

.....
Date

ABSTRACT

The construction industry plays a very important role in generating wealth and improving the quality of life of the people. It is evident from previous research that there is a close relationship between construction and the national economy of a country. Hence, it is vital to ensure that construction projects are effectively and efficiently implemented. Problems of cash flow due to issues on payment delays to contractors can severely affect the implementation of construction projects. This is critical within the small scale projects in the industry. There are several instances where small companies have been closed due to the payment delays in their projects. According to related literature and the past experience of the industry, it is clear that the Payment Delay to contractors could cause severe impact on the small scale construction projects in construction industry.

The aim of this research work is to study about impacts of payment delays to small scale construction contractors under different scenarios in Sri Lankan context and based on the study, identifying of main causes affecting payment delays and ultimately propose relevant improvements to overcome those payment delays. Research was carried out based on case studies.

Research reveals the payment delays to small scale contractors are significantly high from the side of Clients compared to the Contractors. Main causes are “Due to prevailing internal system of the Client (No of Layers /officers passing the bill) , Cash problems of the client (Non availability of Funds), Additional works requested by client after submission of Final Bill , Non-adherence of correct formats by Contractor, Improper submissions by Contractor(less documentation)”.

There is a high impact on payment delays due to some improper practices of Client i.e. “Lack of inter relationship between internal units and officials, Lack of follow up and guidance by Top Level officials, No fear in contravening conditions of contract and Handling too much work at a time”. There is a high impact on payment delays due to some improper practices of Contractor too i.e. “Lack of Courage & Confidence to complain to relevant parties/Authorities about payment delays and Lack of Unity among contractors”. Clients and Contractors are recommended to follow the proposed improvements under this study to mitigate the payment delays to contractors in small scale level.

Keywords : Construction Industry, Small Scale, Payment Delay, High Impact, improvements

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Abbreviations

ICTAD	I nstitution for C onstruction T raining and D evelopment
SBD	S tandard B idding D ocument
NCASL	N ational C onstruction A ssociation of S ri L anka
CIDA	C onstruction I ndustry D evelopment A uthority
LKR	S ri L anka C urrency
GDP	G ross D omestic P roduct