

**OPTIMIZING METHODOLOGY FOR COST OF
CREDIT TO ENHANCE THE BOTTOM-LINE
PROFIT IN CONSTRUCTION PROJECTS IN SRI
LANKA**

**MASTER OF SCIENCE
IN
CONSTRUCTION PROJECT MANAGEMENT**

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“This dissertation was submitted to the department of Civil Engineering of University of Moratuwa in Partial fulfilment of the requirement for the Master of Science in Construction Project Management.”

Department of Civil Engineering

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2023

i. Declaration

I hereby declare that this is my own work, and that this thesis does not incorporate without acknowledgment any material previously submitted for a degree or diploma of any other institute and that to the best of my knowledge and belief, this thesis does not contain any material previously published or written by another person except where proper citation and acknowledgment has been made in text.

.....

R.D.J. Martin

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Date

Certification

The above candidate has carried out research for the Master’s dissertation under my supervision.

.....

Dr. Lesly Ekanayake

.....

Date

ii. Acknowledgement

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I hope that the results and findings of this study will be valuable and beneficial to construction and other businesses and support further studies on this topic to close the knowledge gap.

iii. Abstract

Cost of credit is one of the main cost components directly and indirectly affect the bottom-line profit of any organization. Identification of components of cost of credits and different financing alternatives can be used for financial decision making to increase the profits. There are alternatives to financing used in practice for inflow such as short term and long-term loans for higher capital requirements, line of credits with different rates and terms such as credit card and outflow control by credit suppliers and services. Though there have studies done to access the impact for the long term, short term, and line of credit cost of credit, the cost of credit of credit purchases have not been included. Therefore, this study has proposed a model on maximizing of construction projects profits through analyzing components of cost of credits of credit purchases. Components of the cost of credit for credit purchases have been considered to several categories such as theoretical variable, market factors and human factors and for this study only the theoretical variable and parameter have been used. The model proposed has delivered the sensitivity analysis of each identified parameters of cost of in a tabular format. The analysis shows that the cost of credit reduces along the credit period which implied that when the payment prior to the date with a discount put upon can be a profit generate. And along the increased discounting rates there can be seen an increase the amount saving from the transaction. Finally, the discount or otherwise the increase in credit purchase value have increased the saving for the company which is much likely to combined with other factors. Therefore, careful management has to be done by the company to control the increase in the credit purchase value. This study has shown that by optimizing the cost of credit management the bottom-line profits can be maximized.

iv. Table of content

i. Declaration.....	ii
ii. Acknowledgement	iii
iii. Abstract.....	iv
iv. Table of content	v
v. List of figures	vi
vi. List tables	vii
Chapter 1 Introduction	1
1.1 Background	1
1.2 Research Gap	3
1.3 Objectives.....	3
1.4 Scope and limitations to the research work.....	3
1.5 Key findings from achieving the objectives.....	4
1.6 Structure of the Report.....	4
Chapter 2.0 Literature review	5
2.1 Overview of link between Construction projects & financing the projects	5
2.2 Methods of financing construction projects	9
2.3 Methods of financing and related of Cost of Credit.....	13
2.4 Consideration and models of cost of credit purchases in construction projects ..	16
2.5 Application of proposed financing model in Sri Lankan context	17
Chapter 03 Methodology.....	19
3.1 Introduction	19
3.2 Identify component of Cost of Credit	19
3.3 Formulation of the parameters	21
Chapter 04 Data collection and analysis	23
4.1 Data Collection.....	23
4.2 Analysis.....	24
Chapter 05 Summary, Results, Interpretation, Recommendation and Future studies	27
5.1 Summary	27
5.2 Results	28
5.3 Interpretation	28
5.4 Recommendations	29
5.5 Future studies	29

v. List of figures

Figure 1 Types of financing (Shapran. V., Britchenko. I., 2021)	12
Figure 2 Reasons for Choosing a Lending Bank Reported by Business Owners	13
Figure 3 Changes in the policy interest rates of CBSL	18
Figure 4 Flow chart of the methodology.....	20
Figure 5Cost of credit factors variation for the Discount on cash purchase.	25
Figure 6Cost of credit factors variation for the Annual discount rate.....	26
Figure 7Cost of credit variation for the credit duration	27

vi. List tables

Table 1 Identified parameters and symbols.	22
Table 2 Data values between Upper and Lower boundaries.....	24

Annex

Table 3 Model table for discounting rate of 1%	i
Table 4 Model table for discounting rate of 2%	ii
Table 5 Model table for discounting rate of 3%	iii
Table 6 Model table for discounting rate of 4%	iv
Table 7 Model table for discounting rate of 5%	v
Table 8 Model table for discounting rate of 6%	vi
Table 9 Model table for discounting rate of 7%	vii
Table 10 Model table for discounting rate of 8%	viii
Table 11 Model table for discounting rate of 9%	ix
Table 13 Model table for discounting rate of 11%	xi
Table 14 Model table for discounting rate of 12%	xii
Table 15 Model table for discounting rate of 13%	xiii
Table 16 Model table for discounting rate of 14%	xiv
Table 17 Model table for discounting rate of 15%	xv
Table 18 Model table for discounting rate of 20%	xvi