

**MITIGATING DISPUTES DUE TO INFORMATION
ASYMMETRY IN THE CONTEXT OF SRI LANKAN
CONSTRUCTION INDUSTRY**

Dasanayakage Manoj Dimuthu Niroshan Jayasiri

209177V

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DECLARATION OF THE CANDIDATE & SUPERVISOR

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ABSTRACT

Mitigating disputes due to information asymmetry in the context of Sri Lankan construction industry

Disputes are an inherent and recurring challenge in the construction industry due to its intrinsic complexity, multi-stakeholder environment, and uncertainty. Despite well-structured contractual arrangements, conflicts frequently arise from discrepancies in rights, obligations, and expectations of a project. Among the many causes of disputes, information asymmetry where one party possesses more accurate or complete information than another has emerged as a critical yet insufficiently addressed issue in the construction industry. This study investigates how information asymmetry contributes to dispute formation in the Sri Lankan construction industry and proposes effective mitigation strategies to enhance transparency, collaboration, and project performance.

The research first identifies the broad causes of disputes, revealing interconnected factors related to owners, contractors, contractual provisions, project conditions, design issues, human behaviour, and external influences. The findings establish that ineffective communication, inconsistent documentation, fragmented information flows and strategic withholding or manipulation of information significantly intensify disputes. Information asymmetry in construction industry happens mainly in the forms of strategic information withholding, communication and coordination gaps, and knowledge and power imbalances. These asymmetries create adverse selection during tendering, moral hazard during project execution, and hold-up situations where dominant parties exploit information control, collectively escalating conflicts and undermining trust.

To address these challenges, the study proposes a multifaceted mitigation approach comprising six categories of strengthened contractual and regulatory frameworks, early contractor involvement, digital information management systems, structured communication and knowledge-sharing practices, audit and verification mechanisms, and ethical and cultural enhancements. These measures collectively aim to enhance accuracy, transparency, and accountability in information flows across the project lifecycle.

Finally, the study develops a comprehensive framework linking the identified causes of disputes, occurrence, impacts, and mitigation strategies of information asymmetry. The framework provides a practical, systematic guide to minimize disputes in Sri Lankan construction projects by promoting balanced information distribution, improved decision-making, and collaborative project environments.

Keywords: Information asymmetry; Construction disputes, Sri Lankan construction industry

DEDICATION

My heartiest dedication

To my parents,

The reason who I am today.

Without you, none of my achievements would have been
possible.

Thank you for your unwavering support and constant care.

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LIST OF ABBREVIATIONS

Abbreviation	Description
BIM	Building Information Modelling
BOQ	Bills of Quantities
CIDA	Construction Industry Development Authority
EOT	Extension of Time
FIDIC	Fédération Internationale des Ingénieurs-Conseils
IQSSL	Institute of Quantity Surveyors Sri Lanka
PPP	Public-Private Partnership
RII	Relative Importance Index
SBD	Standard Bidding Document
USA	United States of America

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