

FACTORS AFFECTING CONTRACTOR'S RISK ON COST OVERBURDEN IN SRI LANKAN CONSTRUCTION INDUSTRY

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ABSTRACT

With the complexity of the construction industry, contractors are undergoing with an unfavorable situation with their profit margin due to the cost overburden issues and are exposing into the risk because of the inappropriate identification and mitigation of the factors. Fulfilling this gap, the research has been undergone to assess the cost overburden factors affecting the contractor's financial stability in Sri Lanka with an adequate understanding on the mitigation measures. The study has used a mixed approach in qualitative and quantitative techniques and for the identification of factors, review of literature was undergone. To assess the burden of the factors, questionnaire was distributed among 40 Quantity Surveyors within Sri Lanka and with the analysis under the Relative Important Index (RII), it was identified that changing needs of client, labor shortage, payment delays, increase in inflation, having a lumpsum contract and improper identification and assessment of risk as the most influencing factors towards the contractor. To identify the mitigation approaches, interviews were conducted by selecting 10 professional Quantity Surveyors with more than 10 years of experience as the sample. The outcomes elaborated that providing better consultation in avoiding frequent changes, creating reputation and value to the job titles, on time payments, determining appropriate funding levels at planning stage, using proper cost controlling methods during the execution and risk management procedure as the most applicable procedures to avoid the influencing factors and furthermore, using risk transferring technique and terminating the contract were identified as the techniques in minimizing the degree of cost overburden if the contractor is facing such situation. Concerning more on effective performance of the key stakeholders under a better cost management system is recommended in avoiding the arising cost overburden issues which will help to improve the performance of the industry for safeguarding the stability of the national economy.

Keywords: *Contractor, Cost overburden, Construction Industry, Sri Lanka*