

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction**

The contribution of the construction industry to national economic growth necessitates improved efficiency in the industry by means of cost-effectiveness and timelines and would certainly contribute to cost savings for the country as a whole. A major criticism facing the construction industry is the growing rate of delays and abandoned in project delivery. According to the official site of the National Housing Department, abandoned projects are defined as projects which meet the following criteria, which projects are not completed within or outside of the Sale and Purchase Agreement and no significant activity on the construction site during the six (6) months of continuous service; or winding-up petition has been filed in the High Court under Section 218 of the Companies Act 1966; or is placed under the Official Receiver and Manager (Receiver & Manager); or the developer is unable to acknowledge in writing to the Controller of Housing; Authorized and abandoned projects by the Ministry of Housing and Local Government under section 11 (1) (c) of Act 118.

Abandoned housings are topics and issues that often became the talk of the various parties, not only the people who live in urban cities but also in the rural areas also highlight this worrying issue. Although it has been frequently raised in the higher authorities, but these issues remains a problem not only every year but also in every day. Abandoned project is when a progress of a certain project faces too many problems and seems to be impossible to continue further. Abandonment is just not limited to buildings alone, but there are also roads, electricity, bridges, factories, dams, industrial structures, and communication projects will also get abandoned as well. Abandoned house not only gives nightmares to the buyer, but the government is also feeling the burden. This is because, abandoned housing projects which are

mostly projects undertaken by private developers may possibly put government's effort to provide sufficient housing to the societies at stake (Tan, 2011).

Under various five-year plans, the government has implemented numerous housing programs, in both rural and urban areas, with the aim of making Malaysia a 'home owning society' (Othman, 1993). For instance, the industry contributed RM 34.9 billion to the overall gross domestic product of RM 937.5 billion in 2012. The total value of construction projects awarded in Malaysia in 2012 amounted to RM 112.5 billion (CIDB Malaysia 2013) and has created a lot of job opportunities to help boost the country's economy. As stated by Olusegun A.E and Michael A.O (2011) the construction industry has a supreme role in the economy of any nation, where an economy which is active usually experiences an increase in the construction activities as well, but in a slow economy, the existence of project abandonment tends to be more extensive.

Among the main problem raised when the issue was highlighted was the lack of money as an allowance for completing the project. With this occurrence, it has an impact not only to the buyer but also to other project players and the public. Despite the existence of various researches on this issue, the answers obtained are somewhat limited. Thus, a study was conducted to investigate this problem in order to provide the answers to every question that often play in the minds of buyers. As the statistics of abandoned projects reported growing concern throughout this decade, the research is relatively broad run as a decisive factor to the problem and the efforts taken to improve or at least reduce the impact of abandoned projects to the parties involved: the government, developers, financiers and finally homebuyers. This study will look at the aspect of causes, the authorities view as well as a solution that can be given through the distribution of questionnaires to the authorities. This study contributes to the body of existing knowledge and provides insights and views of the authorities in terms of legal, financial, and will try to give evidence through an analysis of a survey distributed to elected authorities in Malaysia.

## **1.2 Background of Study**

Abandoned housings are major issues that had been discussed and already be occurred several years before. With the development of Malaysia's natural today, many construction companies are racing to build a house that is not only costly but also higher expenses designs a house, it is also sometimes difficult to construct. But with various modern methods and ideas of those great, a fantastic house can also be constructed with ease.

According to research by Nurlaila Ali, Khadijah Hussin, Ismail Ashmat and Kamalludin Bilal (2014), Kemayan City is one of 19 abandoned buildings in clouding being restored and is located in the administrative area of Johor Bahru City Council. Based on the original plans in 1993, Kemayan City shopping center will be the largest single integrated in Johor Bahru. The commercial development project has an area of 64,800 square meters and is located on a site of 4.8 hectares in area Tampoi which is about 12 km from Johor Bahru city center. Kemayan City development was abandoned in 1998 due to the economic crisis (MBJB, 2011). However, these owners still have to pay their loans to the finance comp any. There are also the owner who bought the building lot amount RM1 million. To ensure this abandoned building and restored to be developed in parallel with the development of Iskandar Malaysia, various parties including Johor Bahru City Council help to solve this problem (Utusan Malaysia, 2010).

Plaza Skudai and Giatmara Center is among other an abandoned building with no effort from appropriate authorities for the repairs and continue the construction work of the building. Due to this abandoned building issues such as too much has happened in the past and finally the solution are deadlocked, then this study is to describe the problems and find solutions.