

## Evaluation of the Cash Flow Policies and its Effect on the Completion Time of Projects in Western Nigeria

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**Abstract:** This study evaluates the cash flow policies and its effect on the completion time of projects in western Nigeria. It was observed that 27.4% of the total numbers of sixty-two projects considered were completed within the time frame, while 72.6% were yet to be completed on the agreed time frame. The 73.3% of the yet to be completed projects were due to cash flow problems, that is, lack of subsequent fund after the initial mobilization fees provided by the government for the projects. The other 11.1, 13.3 and 2.2% were delays due to the lack of mobilization fees, equipment breakdowns and poor weather conditions respectively. The major constraints to the timely completion of projects in the western states considered therefore, were due to cash flow problems.

**Key words:** Cash flow, policy, completion, time, project

### INTRODUCTION

A project is a set of inter-related tasks that are undertaken by an organisation. In this case, in order to meet the defined objectives, civil engineering companies have an agreed start and finish time.

A project can also be defined as the activity of man that achieves a clear objective against a time scale<sup>[1]</sup>, also having the following characteristics; one clear objective, a fixed time scale, a team of people, no practice or rehearsal and change.

There is always a time scale attached to the objective of any project; there is a fixed end date that everyone has in mind for each objective. The completion of a project is a collection of loosely connected techniques, actions and reactions, some of which are useful in bringing the project to a successful completion.

Therefore, a civil engineering project is a unique set of co-coordinated activities with definite starting and finishing time, to meet specific objective within defined schedule, cost and performance. Managing project within time, cost and performance is easier said than done. The project environment is extremely turbulent. One of the factors that make any occupation especially stressful, even civil engineering project management, is responsibility without the authority or ability to exert control<sup>[2]</sup>.

There is also the pressure of deadlines, and yet the financial backings are not forth coming. The project manager has his resources controlled by some authorities, mostly the government, yet the responsibilities of bringing a project to completion by a prescribed deadline are his. The achievement of these defined objectives clearly signifies the completion of the project.

It has therefore been observed over years that many of these projects were not meeting up with the defined objectives against an agreed time scale, especially in Western Nigeria.

The characteristics of a project can be summarized as a plane triangle (in which the angles represent cost, time and performance), circumscribed by regulatory constraints (Fig. 1).

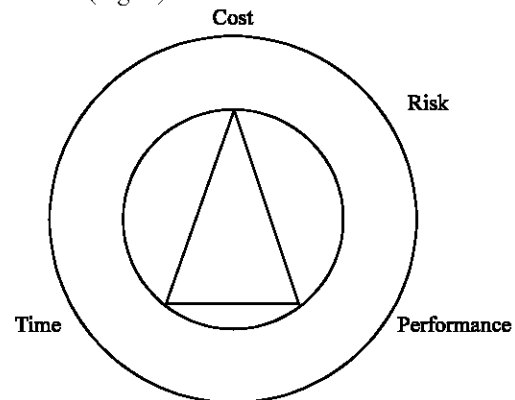


Fig. 1: Project characteristics (regulatory framework)

This simple model demonstrates an important feature; we cannot change one angle without affecting one or both of the others. By the time cost or finance is affected, the effects are felt on the time and performance constraints.

The job of managing a project has been described since early times in terms of organizational skills, and a capacity for wide-ranging forethought<sup>[3]</sup>. The managing engineer has to ensure that his project is completed within budget and on time. He has to lay plans, anticipate problems and see that objectives are met even when plans have to be changed. Unfortunately, many contractors/engineers rely solely on government cash flow policies to bring their projects to completion.

A very detailed study of case histories of large projects lists a number of preconditions for success<sup>[4]</sup>. They are in effect attitudes or dispositions of the contractors, which favour a successful outcome. For example, contractors should place more emphasize on sourcing fund to complete their projects through bank loans or company savings, with the assurance of prompt payment after completion of the project.

Construction loans to contractors are usually provided by banks, company savings and loan associations upon the completion of the facility, construction loans will be terminated and the cost-construction, facility financing will be arranged by owner.

Therefore, the aim of this study was to sensitize both the contractors/project engineers and the government, about the effect of inadequate financial backings, cash flow policies and techniques, on the timely completion of projects.

**MATERIALS AND METHODS**

The information for this study was obtained by the administration of questionnaires in Ondo, Oyo, Ogun and Osun States. Fourteen companies were sampled and a total of fifty-six questionnaires were given out while only forty-two were returned.

**RESULTS AND DISCUSSION**

From the response rate to the administration of the questionnaires, a total of fourteen companies were covered with fifty-six questionnaires, out of which forty-two were returned.

The percentage of response =  $42/56 \times 100 = 75\%$

Sixty-two projects were studied, only seventeen, making (27.4%) of the total were completed on

**Table 1: Projects completed/yet to be completed**

States	Average No of projects	Completed within time frame	Not yet completed
Ondo	10	3	7
Oyo	26	7	19
Ogun	11	2	9
Osun	15	5	10
Total No.	62	17	45
Total (%)		27.4	72.6

**Table 2: Causes of project delays**

States	Lack of mobilization	Lack of subsequent cash flow	Breakdown of equipment	Bad weather
Ondo	1	5	5	-
Oyo	2	13	3	1
Ogun	1	7	1	-
Osun	1	8	1	-
Total No.	5	33	6	1
Total (%)	11.1	73.3	13.3	2.2

**Table 3: Sources of fund to start projects**

States	No. of companies	No. of projects	Bank loans (%)	Mobilization (%)	Company savings (%)
Ondo	3	10	5	90	5
Oyo	5	26	20	60	20
Ogun	3	11	5	90	5
Osun	3	15	10	80	10

the time frame (Table 1). The other 72.6% were yet to be completed, constitutes forty-five of the total number of sixty-two projects considered.

Lack of subsequent cash flows after the initial mobilization fees were the reasons why 73.3% of the yet to be completed projects were delayed. The others were lack of mobilization, breakdown of equipment and bad weather conditions making 11.1, 13.3 and 2.2%, respectively (Table 2).

In Table 3 it could be seen that the bulk of the construction projects were tied to the payment of mobilization fees, which are dependent on government financial policies and techniques, therefore the inabilities to complete the projects as at when due were as a result of lack of subsequent cash flows after the initial mobilization fees.

The study revealed that lack of subsequent funding after the initial mobilization fees were the major constraints to the completion of projects in western Nigeria.

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