

## CHAPTER I

### INTRODUCTION

#### 1.1 Background

The construction industry is developing rapidly. This is caused by the increasing need of society. Society needs many infrastructures that can support their daily activities. That is why construction industry is developing in various sectors starting from the office buildings, educational buildings, residential buildings, highways, telecommunication stations, energy plants, and any other public facilities.

The role of the construction industry is extremely important for a country. The construction industry usually links with the economic growth of a country. The development of the construction industry is one of the important factors that can boost up the economic sector in Indonesia. In 2014, the construction industry in Indonesia contributed 9.88% against the Gross Domestic Bruto (GDB), and it was ranked the 4th from 9 main sectors to the economic growth (Berita Satu, 2015). However, the construction industry is highly potential for the risk of failure.

Risk is the probability of occurrence of some uncertain, unpredictable, and even undesirable events that would change the prospects for the profitability on a given investment (Kartam & Kartam, 2001). The probability of risk in the construction industry is high because

of the process from the designing, investment, bidding, until the construction project done is very complex. Risk occurs through many unpredictable and uncontrollable factors. These factors can be internal factors and external factors.

It is a common thing that the failures result in project delay, cost overruns, and the change scope of work. Risk management can reduce or even avoid the damages that resulting failures in many projects. For this purpose, risk management in construction industry is important to be studied.

### **1.2 Problem Statement**

1. What are the existing factors influencing risks in the construction projects in Yogyakarta?
2. What are the common sources of risks in the construction projects in Yogyakarta?

### **1.3 Research Aims**

1. To identify existing factors influencing risks in the construction projects in Yogyakarta.
2. To identify common sources of risks in the construction projects in Yogyakarta.

#### 1.4 Originality

The topic “Project Risk Management in Yogyakarta” has never been used in any other final project before. Therefore, there has never been any attempt to conduct a similar research. This final project will be a new research in its attempt to identify and evaluate the current risks and uncertainties in Yogyakarta construction industry.

