



IMPACT OF POLITICAL FACTORS ON CONSTRUCTION CONTRACT TERMINATION: EMPIRICAL EVIDENCE FROM GHANA

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ABSTRACT

Purpose: This study aims to identify the political factors that lead to the termination of construction contracts in Ghana.

Design/Methodology/Approach: A quantitative research design was employed, utilising purposive and random sampling techniques to collect data from 315 respondents, comprising project managers, procurement officers, contract managers, architects, engineers, quantity surveyors, and lecturers from Technical Universities in Ghana. Data were analysed using factor analysis, structural equation modelling (SEM), and confirmatory factor analysis (CFA) to explore the effects of political factors on contract termination.

Findings: The results indicate that political factors, including corruption, government violations of clauses, executive leadership changes, poor governance, and a lack of political will, significantly contribute to construction contract terminations. These factors lead to project delays, disputes, and ultimately terminations, highlighting the need for improved governance and risk mitigation strategies in the construction industry.

Research Limitation: The study is limited to the construction industry in Ghana and may not account for industry-specific dynamics in other countries.

Practical Implication: Suggested measures addressing political instability, improving governance, and minimising political interference could significantly reduce contract terminations in Ghana's construction sector.

Social Implication: There is a need for policy reforms and governance improvements in Ghana's construction sector. By addressing political instability and promoting transparency, contract terminations could be minimised, leading to better infrastructure development.

Originality/Value: This study introduces empirically validated political variables, such as executive leadership change, government clause violations, and a lack of political will and continuity, that expand existing knowledge on construction contract termination.

Keyword: *Contract. construction. political factors. project deliverables. termination*

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INTRODUCTION

Globally, the construction industry plays a pivotal role in economic development, infrastructure provision, and employment generation (Coffie et al., 2025; World Bank, 2020). However, it remains highly vulnerable to political dynamics, particularly in developing countries where institutional frameworks are often weak and political systems unstable (Pradhananga et al., 2021). Political risks, such as abrupt policy changes, leadership transitions, and governance lapses, frequently lead to project delays, cost overruns, disputes, and, in severe cases, contract terminations (Ashihri et al., 2022; Chang et al., 2018).

In Africa, and Ghana specifically, construction contract termination has become a recurring challenge, with political factors frequently implicated (Asamoah et al., 2020; Osei-Kyei & Chan, 2017; Coleman, 2023). For instance, changes in government often result in the suspension, alteration, or cancellation of infrastructure projects initiated by previous administrations, undermining continuity and investor confidence.

Corruption also pervades procurement and execution phases, leading to compromised project outcomes (Owusu, Chan, & Shan, 2017). Moreover, political interference, poor governance, and weak regulatory enforcement exacerbate project vulnerability to early termination (Eja & Ramegowda, 2020; Williams, 2016). However, despite the evident impact of political dynamics on construction outcomes, several critical research gaps remain.

First, much of the existing literature emphasizes financial and technical causes of project failure, often overlooking the nuanced and multifaceted role of political variables such as executive leadership change, violation of contract clauses by government, and lack of political will and continuity (Akwei et al., 2020; Coleman et al., 2025; Coleman et al., 2025).

Second, although corruption and governance issues are frequently cited, there is a lack of empirical evidence that systematically quantifies these variables using robust analytical techniques. Most recent studies used descriptive or case-based approaches, offering limited generalizability, which includes Njuguna (2018), Laxsana et al., (2023), and Abdul-Malak et al. (2023).

Third, previous research rarely integrates these political risk factors into validated conceptual or predictive models, nor does it apply advanced statistical techniques such as Confirmatory Factor Analysis (CFA) and Structural Equation Modelling (SEM) to examine their interrelationships (Hair et al., 2011; Byrne, 2013; Xiong et al., 2025). Finally, there is a lack of comprehensive



empirical studies that explore these factors within the Ghanaian context, leaving a gap in region-specific evidence needed for targeted policy reforms.

This study addresses these gaps by identifying and empirically validating key political factors that contribute to the termination of construction contracts in Ghana. Through the use of CFA and SEM, the study not only quantifies the effects of political risks but also offers a robust analytical framework for understanding their influence on project sustainability. By doing so, it contributes to the literature on political risk in construction. It provides practical insights for stakeholders and policymakers seeking to mitigate contract termination risks in politically dynamic environments.

Despite considerable investments in Ghana's construction sector, projects often face premature cessation, resulting in delays, disputes, and financial losses (Amoatey et al., 2015). Previous research has identified financial constraints and technical challenges as key factors in project failures (Damoah & Kumi, 2018). Yet, the role of political dynamics in contract termination remains underexplored (Kley, Nani, & Baiden, 2019).

Political factors, such as lack of political will, corruption, policy changes, and political interference, can significantly influence contract termination outcomes (Rose-Ackerman & Palifka, 2016). Although studies like Damoah, Mouzugh, and Kumi (2020) and Adil (2019) have pinpointed political manipulation and corruption as primary drivers of project failures in Ghana, comprehensive research that systematically analyses and quantifies these factors across different project phases is scarce.

Moreover, governmental bureaucracy, including delays in contractor payments, is highlighted as a critical issue affecting project success in Ghana (Jiya et al., 2018; Fugar & Agyakwah-Baah, 2010), yet there is insufficient empirical evidence linking these bureaucratic challenges directly to contract terminations. This gap limits understanding of how specific political actions and administrative inefficiencies contribute to project failures and terminations (Akwei, Damoah, & Amankwah-Amoah, 2020).

Furthermore, there is a lack of comparative analyses to elucidate commonalities and discrepancies in political influences on construction projects between Ghana and other countries (Awortwi, 2012). Comparative studies, as suggested by Njuguna (2018), could offer valuable insights into the unique political contexts shaping construction project goals in Ghana, informing more targeted interventions and policy reforms. Addressing these gaps is crucial for advancing knowledge in the



field and informing policy decisions aimed at mitigating political risks, improving administrative practices, and enhancing project resilience in Ghana's construction sector. This study aims to fill these gaps by systematically examining and quantifying the political factors that contribute to contract terminations, thereby providing actionable insights for sustainable development in Ghana's construction industry.

LITERATURE REVIEW

The termination of construction contracts and its relationship with political factors have garnered increasing attention from scholars and practitioners alike. This section offers a comprehensive review of the existing literature on the topic, with a focus on empirical studies, theoretical frameworks, and practical insights.

Political Situations and Contract Termination

Political situations play a pivotal role in shaping the landscape of construction contract termination, exerting significant influence on project outcomes and stakeholder interactions (Tang et al., 2023). Within the realm of construction management, political situations encompass a wide array of factors, ranging from government policies and regulatory frameworks to the actions of political actors and interest groups.

Understanding the intricate interplay between these political forces and contract termination is essential for comprehensively addressing the challenges and complexities inherent in the construction industry (Ade-Ojo et al., 2017).

One key aspect of political situations impacting contract termination is the lack of political will, which can manifest in various forms, including bureaucratic delays, inconsistent decision-making, and resource allocation constraints. Adjei (2020) highlights how a lack of political will can hinder the timely execution of construction projects in Ghana, resulting in project delays and eventual termination. This phenomenon is often exacerbated by competing political priorities, short-term electoral considerations, and bureaucratic inefficiencies, which collectively undermine project continuity and exacerbate contractual disputes.

Corruption represents another critical dimension of the political dynamics that influence contract termination outcomes. Ebekoziem (2020) underscores the pervasive nature of corruption in the construction industry, noting its detrimental effects on project performance, resource allocation, and stakeholder relationships. In cases where corruption is rampant, construction contracts may be



awarded based on political patronage rather than merit, leading to substandard work, cost overruns, and project abandonment (Ameyaw et al., 2017).

Moreover, corrupt practices such as bribery, kickbacks, and favouritism can undermine trust among project stakeholders, exacerbating conflicts and increasing the likelihood of contract termination (Ameyaw et al., 2017; Goldberger, 2023). Government policy changes also contribute significantly to the volatility of construction projects and their susceptibility to termination (Nor & Misnan, 2024).

The implementation of new regulations, budgetary adjustments, and strategic shifts in development priorities can disrupt project timelines, funding arrangements, and contractual obligations. For instance, abrupt changes in infrastructure investment plans or procurement policies may render ongoing construction contracts obsolete or financially unviable, forcing project stakeholders to terminate their agreements prematurely. Such policy-induced disruptions not only impede project progress but also, according to Baijal (2024), erode investor confidence and deter future private sector participation in infrastructure development initiatives (Nor & Misnan, 2024).

Political interferences represent yet another critical factor influencing contract termination in the construction industry. Political actors, including government officials, elected representatives, and interest groups, may intervene in construction projects for various reasons, ranging from advancing personal agendas to addressing constituent concerns (Ade-Ojo et al., 2017). However, such interferences can distort project objectives, undermine technical specifications, and compromise project integrity, leading to disputes and eventual contract termination. Moreover, political pressure exerted by vested interests, such as powerful lobbies or influential individuals, can impede the transparent and impartial resolution of contractual disputes, exacerbating tensions and prolonging project uncertainty.

Empirical Studies in the Ghanaian Construction Industry

Studies such as those by Ameyaw et al. (2017) have examined the prevalence and consequences of corruption in construction projects, highlighting its detrimental effects on project quality, cost, and timeliness. By quantifying the extent of corruption and its implications for project delivery, these studies provide valuable evidence for policymakers seeking to strengthen anti-corruption measures and promote transparency and accountability in the construction sector. Additionally, Owusu-Manu et al. (2022) investigate the factors influencing the successful implementation of



infrastructure projects in Ghana, highlighting the role of political influences, regulatory frameworks, and stakeholder dynamics in shaping project outcomes. Through interviews, surveys, and case studies, these studies provide valuable insights into the complexities of project management and governance in the Ghanaian context, informing strategies for enhancing project performance and improving development impact.

Furthermore, Kissi et al. (2019) evaluate the impact of training programs on the productivity and performance of construction workers, demonstrating the potential benefits of investing in human capital development in the construction sector. Similarly, Appiah et al. (2022) assess the effectiveness of regulatory reforms in enhancing project governance and reducing corruption risks in the Ghanaian construction industry. By rigorously evaluating the outcomes of these interventions, researchers contribute to evidence-based policymaking and institutional strengthening efforts, ultimately fostering a more conducive environment for sustainable development and growth in the construction sector.

Theoretical Review Underpinning the Study

One prominent theory used in this study is the theory of transaction cost economics (TCE), which posits that contract termination arises from the transactional costs associated with managing contractual relationships (Williamson, 1985; Abdel-Galil et al., 2022). According to TCE, construction projects entail complex interactions between principals (e.g., clients, main contractors) and agents (e.g., contract managers, quantity surveyors, and contractors), characterised by bounded rationality and opportunistic behaviour. In the Ghanaian construction industry, transaction costs may arise from information asymmetry, contractual hazards, and asset specificity, leading to disputes and contract termination. For instance, clients may terminate contracts due to cost overruns or delays resulting from unforeseen project risks, while contractors may seek termination to mitigate losses arising from adverse project conditions. By applying the lens of TCE, researchers can analyse the transactional dynamics underlying contract termination and develop strategies to minimise transaction costs and enhance project efficiency. Agency theory (AT) represents another influential theoretical framework in understanding construction contract termination, particularly in the context of principal-agent relationships (Jensen & Meckling, 1976; Zhou, 2023). According to AT, conflicts of interest between principals and agents may lead to agency problems, such as moral hazard and adverse selection, which can impact project outcomes and contractual obligations. In Ghana, agency problems may manifest in various forms, including shirking behavior by contractors, agency costs incurred by clients, and conflicts between project stakeholders. By examining the principal-agent relationship through the lens of agency theory,



researchers can identify governance mechanisms, incentive structures, and contractual arrangements that align the interests of principals and agents, thereby mitigating the risk of contract termination.

Theoretical Gaps in the Study

Although the study employs Transaction Cost Economics (TCE) and Agency Theory (AT) as its foundational theoretical frameworks, several critical gaps emerge when applying these theories to the complex realities of Ghana's construction industry.

The TCE is primarily designed to explain how economic actors minimise costs associated with negotiating, monitoring, and enforcing contracts in the presence of opportunism and bounded rationality (Williamson, 1985; Kostriksy, 2018). However, TCE tends to operate under the assumption of stable institutional environments and rational actors, which limits its applicability in politically volatile contexts such as Ghana.

Specifically, TCE does not fully account for political instability, governance failures, or executive interference, all of which can render contract enforcement mechanisms ineffective or irrelevant. As a result, while TCE may offer insights into cost-related contract decisions, it underrepresents the broader political and institutional risks that frequently drive premature construction contract termination in developing countries.

Similarly, AT, which emphasises principal-agent conflicts arising from misaligned interests, information asymmetry, and moral hazard (Jensen & Meckling, 1976; Panda & Leepsa, 2017), has limitations in this study's context. While this theory captures internal organisational challenges, such as contractor opportunism or client neglect, it fails to adequately incorporate external political influences, including corruption, leadership changes, and policy shifts, which transcend contractual governance mechanisms. The theory's narrow focus on dyadic relationships between principals and agents neglects the influence of third-party political actors whose decisions often disrupt ongoing contracts. Additionally, AT does not sufficiently explain how macro-level variables, such as political will, regulatory lapses, or clause violations by government entities, shape project continuity or termination outcomes.



Figure 1: Conceptual Framework for the Study

The conceptual framework illustrates how various political situation factors influence the termination of construction contracts in Ghana. It begins with the broader political environment, from which specific political risks, such as corruption, changes in executive leadership, government clause violations, a lack of political will, poor corporate governance, government policy changes, and political interference, emerge. These risks collectively form a latent construct called Political Risk Factors (PSF), which directly impacts the outcome variable: construction contract termination. The framework also considers moderating or contextual variables such as institutional capacity, stakeholder engagement, and governance mechanisms, which can strengthen or weaken the effect of political risks on contract outcomes. This model offers a multilevel perspective that links macro-political conditions to project-level failures, enabling targeted policy and managerial interventions.



RESEARCH METHODOLOGY

This study employed a purely quantitative research approach, which was appropriate for systematically analysing the political factors that contribute to construction contract termination in Ghana.

The quantitative design enabled the collection of numerical data and facilitated the use of statistical methods to examine the relationships between political variables and contract termination outcomes. Any reference to qualitative methods in earlier drafts was incorrect, as no qualitative data were collected or analysed.

To ensure the inclusion of relevant participants with expertise in the construction sector, the study used a combination of purposive and random sampling techniques. Purposive sampling was employed to select respondents with direct experience and professional knowledge relevant to the study's objectives, including project managers, contract managers, quantity surveyors, architects, civil engineers, and lecturers at technical universities.

Random sampling was used in the distribution of questionnaires to achieve a broad and representative sample (Sanda et al., 2021). A total of 400 structured questionnaires were administered across the selected professional categories. Of these, 315 valid responses were retrieved, constituting the final sample size for the study. This sample size was considered sufficient for conducting structural equation modelling (SEM) and factor analysis, as recommended by Hair, Ringle, & Sarstedt (2011). The questionnaire was designed to measure factors related to the political situation that potentially influence contract termination. It consisted of close-ended questions structured on a five-point Likert scale, where responses ranged from 1 ("strongly disagree") to 5 ("strongly agree"). This scale allowed respondents to indicate the perceived magnitude of each political factor's impact.

Data analysis involved several stages. First, descriptive statistics were used to summarise the demographic characteristics of the respondents. Next, Exploratory Factor Analysis (EFA) was conducted using SPSS version 26 to identify the underlying structure of the political situation factors. This was followed by Confirmatory Factor Analysis (CFA) and Structural Equation Modelling (SEM) using AMOS version 22 to validate the factor structure and test the hypothesised relationships between political factors and contract termination (Byrne, 2013; Brown, 2015). These techniques provided rigorous statistical grounding for assessing the reliability, validity, and significance of the model. EFA was beneficial for examining the dimensionality of the constructs



and determining which variables loaded significantly onto the political risk factor. CFA validated these constructs by assessing the model fit indices, while SEM was used to estimate the strength and direction of relationships between the latent variables and the dependent variable (Hu & Bentler, 1999; Bean & Bowen, 2021).

RESULTS AND DISCUSSION

Demographic Analysis

The background information of the research respondents is provided in this section, with an emphasis on qualifications, years of practice, current specialisation, and employers. To lend credibility to the respondents' comments and the research findings as a whole, it was helpful to assess the respondents' level of experience and knowledge. This increases the reliability and credibility of the responses and results found. Seale (1999) and Stumpfegger (2017) state that the “trustworthiness” of a research report lies at the heart of issues conventionally discussed as validity and reliability. The summary of the results of the background characteristics data is presented in Table 1.

Table 1: Demographic Characteristics of the Respondents

	N	Percent
Qualification		
HND	8	2.5
BSc/BTech	165	52.4
Masters	138	43.8
PhD/DPhil/DTech	4	1.3
Years Practiced		
6-10 years	117	37.1
11-15 years	89	28.3
16-20 years	69	21.9
21 years and above	40	12.7
Current specialization		
Building works only	121	38.4
Civil works only	69	21.9
Building and civil works	125	39.7
Employer		
Public sector	248	78.7



Private sector	67	21.3
Total	315	100

Table 1 presents the study results on the respondent's profile. From the total of 315 responses received at the close of the survey, the results showed that the majority of the respondents were BSc/BTech, representing 52.4 percent, and about 43.8 per cent had a master's degree. It is also seen that the respondents' level of education was mainly BSc/BTech holders and Masters. Moreover, there were small groups that fell into the Higher National Diploma (HND) category, at 2.5%, and PhD category, at 1.3%, respectively. Accordingly, respondents' years of experience in the construction industry are also shown in Table 1. The results revealed that 37.1 percent of the respondents had worked between 6-10 years, 28.3 percent had worked between 11-15 years, 21.9 percent had worked between 16-20 years, and 12.7 percent had worked over 21 years. With regard to their current specialisation, 39.7 percent were in building and civil works. About 38.4 percent of the respondents were building works, and 21.9 percent were civil works only. The results on professional qualification showed that the majority of the respondents were engaged in the public sector, representing 78.7 percent, while 21.3 percent of the respondents were employed in the private sector.

Table 2: Political Situation Factors

Factors	Mean	Std. Dev.	Ranking
Lack of political will and continuity	4.44	0.809	1 st
Corruption in all forms	4.17	0.890	2 nd
Political interferences	4.16	0.830	3 rd
Government violation of clauses	4.11	0.995	4 th
War in a country	3.99	1.117	5 th
Government policy change	3.84	0.895	6 th
Change of executive leadership	3.84	0.944	7 th
Inflation and devaluation of currency	3.80	0.878	8 th
Poor corporate governance	3.70	0.876	9 th
Lapse of government	3.62	0.857	10 th
Pressure groups (Media, NGOs, Political activities)	3.53	0.897	11 th

From Table 2, the highest mean score of 4.44 is attributed to “Lack of political will and continuity,” indicating that respondents perceive this factor as the most influential in impacting construction projects. This suggests a strong consensus among respondents regarding the significant detrimental effects of political instability and lack of sustained political commitment on project outcomes.



Following closely behind are “Corruption in all forms” and “Political interferences,” with mean scores of 4.17 and 4.16, respectively. These high mean scores highlight the perceived prevalence and adverse impact of corruption and external political interferences on construction projects. The relatively low standard deviations associated with these factors indicate a relatively narrow range of responses, suggesting widespread agreement among respondents regarding their significance. Meanwhile, factors such as “Pressure groups (Media, NGOs, Political activities)” and “Lapse of government” received lower mean scores of 3.53 and 3.62, respectively. Although these factors are still considered influential, their lower mean scores suggest a lesser perceived impact compared to other factors assessed in the study.

Item Loading

When it comes to evaluating item loadings as the initial form of evaluation, the indicators’ loadings of each construct were evaluated. The quality of the indicators used to measure each construct in the study was assessed using item loadings. Based on the rule of thumb, items with loadings > 0.50 are a quality measure of their construct (Lühmann et al., 2009). As a result, all construct elements with loadings less than 0.50 were eliminated from the model. This could be because those items obtained from literature did not measure the study’s construct within the area under study. The Exploratory Factor Analysis (EFA) was used to determine the political factors construct’s one-dimensionality and dependability and presented in Table 3. The extraction and rotation method was set to principal component with Varimax rotation.

Table 3: Dimensionality of the Political Situation Factors Construct

	PF	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted	Cronbach's Alpha
Corruption in all forms	0.715	0.424	0.369	0.790	0.802
Government violation of clauses	0.674	0.526	0.403	0.779	
Change of executive leadership	0.664	0.546	0.507	0.777	
Poor corporate governance	0.644	0.591	0.433	0.773	
Lack of political will and continuity	0.611	0.520	0.315	0.780	
Political interferences	0.564	0.476	0.390	0.785	
Government policy change	0.547	0.438	0.328	0.788	



War in a country	0.546	0.441	0.270	0.790
Lapse of government	0.515	0.337	0.223	0.798
<i>Pressure groups (Media, NGOs, Political activities)</i>				
<i>Inflation and devaluation of currency</i>				

According to the analysis, the construct was measured using eleven different components. The Kaiser-Meyer-Olkin (KMO) coefficient of 0.836 has a p-value less than 0.000. Hair et al. (2011) also suggested a KMO cutoff value of 0.70 and a p-value <0.05 for Bartlett's test of sphericity, demonstrating homogeneity. These findings showed that the data may be subjected to factor analysis. All ten items (PF1, PF2, PF3, ..., PF11), which are expected to measure political factors, loaded on one component.

A factor loading threshold of 0.5 was advocated by Field & Gillett (2010), which is higher than the recommended value of 0.50. Some of the items had their factor loading exceeding 0.5 as a respective component. This excluded “*Pressure groups (Media, NGOs, Political activities)*” and “*Inflation and devaluation of currency,*” which loaded below the threshold of 0.5, respectively, thus making it unrepresentable of the components. For the first component, nine (9) items recorded a threshold of more than 0.5. They are “Corruption in all forms”, “Government violation of clauses,” “Change of executive leadership,” “Poor corporate governance,” “Lack of political will and continuity,” “Political interferences,” “Government policy change,” “War in a country,” and “Lapse of government”. These items measure political factors (PF). Thus, they will be referred to as political factors (PF). The adjusted item-total correlation for the items of the component was extracted using the proposed cut-off value of 0.30 after utilising the EFA to extract the component. The items were judged to be good measures of the components, as evidenced by a Cronbach’s alpha of 0.802 for the component (PS), indicating satisfactory internal reliability (Smith, 2001).

Structural Equation Model

After the constructs demonstrated sufficient evidence of one-dimensionality and reliability using EFA, a CFA was then administered. The analysis strategy for goodness of fit of the Political Situation Factors (PSF) Construct followed a three-statistic strategy of fit indexes, as recommended by Hu & Bentler (1999) and Groskurth et al. (2024). The sample data on the ES model yielded the $S - B\chi^2$ of 3.718 with 53 degrees of freedom (df) with a probability of $p = 0.0000$. This chi-square value indicated that the departure of the sample data from the postulated model was significant and hence, indicative of a good fit. The chi-square test is very sensitive to



sample size and is used more as a descriptive index of fit rather than as a statistical test (Byrne, 2013; and Brown, 2015). The CFI value was found to be 0.953, which was greater than the cut-off limit of 0.90, so the model is described as acceptable. The NFI value was 0.939, which is within the given range, but the given cut-off value of $NFI \geq .90$ as shown in Table 4. Therefore, the model is acceptable. The PNFI value obtained is 0.503, which is also below the cut-off value of 0.80. Also, the RMR of 0.045, which is less than 0.05 and the GFI value of 0.927, which is greater than 0.090. These fit indexes for the Political Situation Factors (PSF) model suggested that the postulated model adequately describes the sample data.

Table 4: Robust Fit Index for Political Situation Factors

Fit Index	Cut-Off Value	Estimate	Comment
$S - B\chi^2$		2.718	
Df	$0 \geq$	9	Acceptable
CFI	$0.90 \geq$ acceptable $0.95 \geq$ good fit	0.953	Good fit
PCFI	Less than 0.80	0.512	Good fit
RMSEA	Less than 0.08	0.057	Acceptable
RMSEA 95% CI	0.00-0.08 “good fit”	0.02-0.052	Acceptable
NFI	Greater than 0.90 “good fit”	0.939	Good fit
IFI	Greater than 0.90 “good fit”	0.955	Good fit
PNFI	Less than 0.80	0.503	Good fit
RMR	Less than 0.05 “good fit”	0.045	Good fit
GFI	Greater than 0.90 “good fit”	0.927	Good fit

Note: $s-bx^2 =$ Chi-Square, $DF =$ Degree of Freedom, $CFI =$ Comparative Fit Index, $PCFI =$ Parsimony Comparative Fit Index, $RMSEA =$ Root Mean Square Error of Approximation, $RMSEA 95\% CI =$ Root Mean Square Error of Approximation 95% Confidence Interval, $NFI =$ Normed Fit Index, $IFI =$ Incremental Fit Index, $PNFI =$ Parsimony Normed Fit Index, $RMR =$ Root Mean Residual and $GFI =$ Goodness of Fit Index.



A unidimensional model for Political Situation Factors (PSF) features is presented (Figure 1 and Table 5). Out of the eleven (11) indicator variables, six (6) were obtained and used for the final CFA analysis (Abd-El-Fattah, 2010; Hair et al., 2011). From the 315 cases analysed for this construct, six (6) indicator variables made up the component realised as PS (PS1, PS2, PS3, PS4, PS5, and PS7).

Table 5: Final Conceptual Model Indicator Variables for Political Situation Construct

Latent Component	Indicator Variable	Measurement Variable	Label
Political Situation Factors (PSF)		Corruption in all forms	PS1
		Government violation of clauses	PS2
		Change of executive leadership	PS3
		Poor corporate governance	PS4
		Lack of political will and continuity	PS5
		Government policy change	PS7

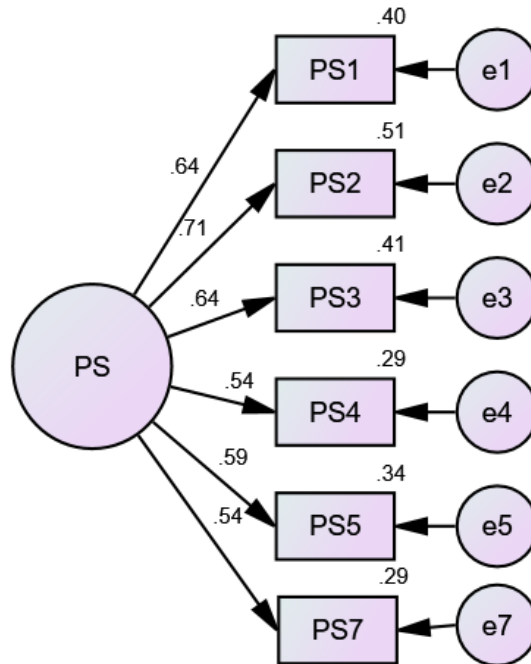


Figure 1: CFA Model for Political Situation Factors

Table 6 shows the correlation values, standard errors, and the test of statistics of the final six-indicator model. All the correlation values were less than 1.00, and all the p-values were less than the significant value of 0.05 and show appropriate signs. The estimates were therefore deemed reasonable, as well as statistically significant. The parameter with the highest standardised coefficient was the indicator with variable PS2, and its parameter coefficient was 0.712.



Table 6: Factor Loading and P-Value of Political Situation Factors

Hypothesised relationships (Path)	Unstandardised Coefficient (λ)	Standardised Coefficient (λ)	P-Value	R- Square	Sig. at 5% Level
PS1 \leftarrow PS	1.000	0.635	0.00	0.404	Yes
PS2 \leftarrow PS	1.253	0.712	0.00	0.507	Yes
PS3 \leftarrow PS	1.069	0.640	0.00	0.410	Yes
PS4 \leftarrow PS	0.832	0.537	0.00	0.289	Yes
PS5 \leftarrow PS	0.839	0.587	0.00	0.344	Yes
PS7 \leftarrow PS	0.857	0.542	0.00	0.293	Yes

Most of the parameter estimates had high correlation values close to 1.00. The high correlation values suggest a high degree of linear association between the indicator variables and the unobserved variables (PS). Additionally, the R-square values were also close to the desired value of 1.00, indicating that the factors explained a significant portion of the variance in the indicator variables. The results, therefore, suggest that the indicator variables significantly predict the unobserved components, because all the measured variables are significantly associated with the component (PS) under Political Situation Factors (PSF).

DISCUSSION

The study provides strong empirical evidence that political situation factors significantly influence the termination of construction contracts in Ghana. Among the factors analysed, lack of political will and continuity, corruption in all forms, and political interference emerged as the most critical determinants. These findings align with the theoretical underpinnings of Transaction Cost Economics (TCE) and Agency Theory (AT), both of which offer explanatory lenses for understanding contract instability within politically volatile environments. According to TCE, contract failures often result from high transaction costs related to monitoring, enforcing, or renegotiating agreements (Williamson, 1985; Li et al., 2015).

In contexts characterised by political instability, as seen in Ghana, these costs escalate due to frequent leadership changes and unpredictable policy shifts. The study's finding that changes in executive leadership and policy inconsistency contribute to contract termination is consistent with



this theory. These political uncertainties increase the risks and costs associated with maintaining contractual obligations, ultimately leading to project delays or abandonment.

The literature supports this position; Adjei (2020) and Nor and Misnan (2024) have demonstrated that abrupt political transitions disrupt long-term infrastructure plans, often leading to contract annulment or restructuring. The identification of corruption as a critical political factor also corresponds with both the empirical and theoretical literature.

Within AT, corruption can be viewed as a form of moral hazard, where agents (e.g., contractors or public officials) exploit informational asymmetries for personal gain (Jensen & Meckling, 1976; Siddiqui, 2017). This behaviour undermines trust between principals (clients or governments) and agents, which in turn erodes the stability of contractual relationships. The results of this study confirm the prevalence of such agency problems in Ghana's construction sector. These findings corroborate those of Ameyaw et al. (2017) and Owusu et al. (2019), who observed that corruption not only inflates project costs but also encourages the award of contracts to unqualified contractors, thereby increasing the risk of failure and early termination.

Similarly, political interference was found to be a key determinant of contract termination. This outcome is supported by Ade-Ojo et al. (2017), who noted that interference by political actors in contract implementation often compromises technical standards and contractual integrity. These interferences, which may take the form of partisan appointments, unplanned site handovers, or forced changes in project scope, create a mismatch between contractual expectations and the realities of implementation. Within the TCE framework, these dynamics represent opportunistic behaviours that increase relational hazards and undermine project efficiency.

Another significant finding was the effect of government violation of clauses. This suggests that even the government can act opportunistically by ignoring agreed terms, thereby breaching the trust essential for contractual success. This phenomenon further highlights the limitations of AT, which often assumes a hierarchical relationship in which the principal enforces accountability. In the Ghanaian context, however, the asymmetry may shift in favour of political actors, who often exercise unilateral power over contract enforcement. Akwei, Damoah, and Amankwah-Amoah (2020) similarly observed that political elites sometimes override institutional procedures, leading to widespread uncertainty and contract failure.

Interestingly, while pressure from the media, NGOs, and political groups was acknowledged as a factor, it ranked lower in terms of influence. This suggests that while public discourse and advocacy may affect policy environments, they are less directly linked to contract termination outcomes. This finding diverges from studies such as Tang et al. (2023), which emphasize the role



of stakeholder pressure in shaping infrastructure project outcomes in China. The relatively limited influence of civil society in Ghana's public procurement space may explain this discrepancy, pointing to the need for institutional reforms that empower external watchdogs.

The lack of political will and continuity, which emerged as the most influential factor, represents a synthesis of all aforementioned issues. It reflects institutional fragility, weak enforcement, and the absence of long-term political commitment. As highlighted by Damoah and Kumi (2018), the failure of successive governments to honour previously signed contracts weakens investor confidence and destabilises the sector. The finding reinforces the necessity for stronger governance systems and bipartisan infrastructure strategies to ensure project sustainability.

CONCLUSION

In general, this study aimed to identify the key political factors contributing to the termination of construction contracts in Ghana. Through a rigorous analysis employing Structural Equation Modelling (SEM) and Confirmatory Factor Analysis (CFA), the research findings shed light on the significant political dynamics influencing the termination of construction contracts in the country.

The results revealed that several political factors play pivotal roles in influencing construction project outcomes. Factors such as corruption in various forms, government violations of clauses, changes in executive leadership, poor corporate governance, a lack of political will and continuity, political interference, government policy changes, and the occurrence of war in the country were identified as critical determinants of construction contract termination. Of particular significance was the finding that the lack of political will and continuity emerged as the most influential factor, highlighting the detrimental effects of political instability and inconsistent governance on construction projects.

This highlights the importance of promoting political stability and ensuring a sustained government commitment to infrastructure development initiatives. Furthermore, the study highlighted the pervasive impact of corruption and external political interferences on construction projects, emphasising the need for robust anti-corruption measures and safeguards to mitigate these risks. Additionally, this research highlights the importance of good corporate governance practices in both the public and private sectors, aiming to enhance project transparency and accountability.



The study carries important theoretical, practical, and policy-level implications. Theoretically, the research expands the explanatory scope of Transaction Cost Economics and Agency Theory by integrating macro-political variables into what are traditionally micro-level models of contract governance. This broadens our understanding of how political institutions, leadership behaviour, and policy volatility contribute to project risks.

Practically, the validated structural model offers a diagnostic tool for practitioners, policymakers, and project managers to assess and mitigate political risks at the planning and contracting stages of construction projects. By incorporating the six critical political indicators identified in the model, construction firms and client agencies can design more effective risk mitigation frameworks, including contractual safeguards, political risk insurance, and adaptive procurement strategies.

The model also allows stakeholders to conduct ex-ante assessments of project vulnerability based on the prevailing political climate. At the policy level, the study underscores the urgent need for governance reforms in Ghana's construction sector. Strengthening institutional capacity, enforcing anti-corruption measures, and ensuring policy continuity are vital to minimising contract failures. Moreover, public agencies and regulatory bodies can adopt the model as a policy planning tool to guide infrastructure investments, particularly in politically sensitive or high-risk regions.

Recommendations

The study, however, has the following recommendations:

- i. Implement robust anti-corruption policies and mechanisms to curb corrupt practices within the construction sector, including transparent procurement processes and stringent enforcement of anti-corruption laws.
- ii. Foster political stability and continuity by promoting democratic governance, respect for the rule of law, and peaceful transitions of power, thereby providing a conducive environment for construction projects to thrive.
- iii. Improve corporate governance practices in both public and private sectors to enhance transparency, accountability, and ethical conduct in construction projects, including the establishment of independent oversight bodies.
- iv. Invest in capacity-building initiatives to enhance the skills and capabilities of construction industry professionals, government officials, and regulatory agencies involved in project management and oversight.



- v. Develop comprehensive risk management strategies tailored to address political risks and uncertainties associated with construction projects, including contingency plans and risk mitigation measures.

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