

## DEBT RECOVERY SOPS IN STRATA HOUSING: A KLANG VALLEY CASE STUDY

REZA, T. K. G.<sup>1\*</sup> – HANIF, N. R.<sup>1</sup> – ZAKARIA, N.<sup>2</sup> – FOO, S. M.<sup>3</sup>

<sup>1</sup> *Faculty of Business, University Malaya-Wales, Kuala Lumpur, Malaysia.*

<sup>2</sup> *Department of Finance, Prince Sultan University, Riyadh, Saudi Arabia.*

<sup>3</sup> *Department of Accounting and Finance, Universiti Putra Malaysia, Selangor, Malaysia.*

*\*Corresponding author  
e-mail: nbintizakaria[at]psu.edu.sa*

(Received 06<sup>th</sup> November 2025; revised 19<sup>th</sup> January 2026; accepted 25<sup>th</sup> January 2026)

**Abstract.** This study investigates the effectiveness of standard operating procedures (SOPs) in enhancing the collection and recovery of outstanding maintenance fees in stratified residential properties within the Klang Valley. It aims to identify the causes of poor fee collection, examine collection failures, and assess the financial management impact of SOP implementation. A qualitative case study approach was employed, analyzing low-cost, medium-cost, and high-cost stratified properties categorized by market price. Data were collected through documentation and financial performance records to explore the relationship between SOP implementation and maintenance fee collection efficiency. The study finds that consistent implementation of SOPs significantly improves debt recovery and financial performance in low- and medium-cost properties, where collection challenges are more prevalent. In high-cost properties, while financial performance was also positive, the results suggest the influence of additional factors beyond SOPs, such as resident demographics and management practices. This research contributes to the limited literature on financial governance in stratified property management by empirically assessing the role of SOPs. However, the study is geographically limited to the Klang Valley and relies on a small number of case studies, which may affect the generalizability of the findings. Property managers and local authorities can use these findings to implement or enhance SOPs tailored to different property categories, improving financial stability and maintenance service delivery in residential developments.

**Keywords:** *standard operating procedures (SOPs), debt recovery, strata, residential buildings, Klang Valley*

### Introduction

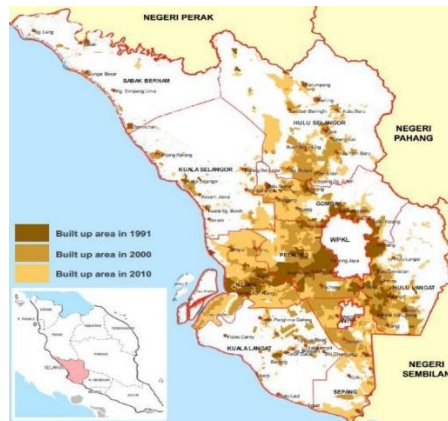
Vertical living, often referred to as high-rise residential buildings, has become increasingly popular in urban environments due to the growing challenges of urbanization and land scarcity (Cireddu, 2021, Hamid et al., 2016; Wahab et al., 2016; Abd Aziz et al., 2014). This trend is particularly prominent in Malaysia, where the rapid pace of urban development since the 1970s has encouraged the rise of strata properties, providing an affordable housing solution complete with lifestyle amenities (Tobi et al., 2020). The adoption of vertical living is not unique to Malaysia (Manukhina and Samosudova, 2018), but its importance in addressing urban pressures has made it a vital part of the country's real estate landscape. In Malaysia's strata property framework, the management of common facilities and services is governed by legal entities such as the Joint Management Body (JMB) or Management Corporation (MC), which operate under statutory guidelines (Mohamad, 2018). These bodies are responsible for maintaining shared amenities and facilities, primarily funded through service charges and sinking funds contributed by property owners. However, challenges arise when

property owners fail to fulfil their financial obligations, leading to issues such as deteriorating building conditions and financial instability.

This research explores the critical issue of non-payment of maintenance fees in stratified properties, with a focus on how effective Standard Operating Procedures (SOPs) could enhance debt recovery and overall financial management. While the Strata Management Act 2013 provides legal mechanisms for collecting overdue fees, many property managers and management bodies are either unaware of these provisions or unable to implement them effectively (Shuhaimi et al., 2022). As a result, financial mismanagement persists, negatively affecting the long-term viability of many high-rise residential buildings. This study aims to assess the impact of SOPs in improving debt recovery within strata properties in Malaysia, drawing on case studies from the Klang Valley. By examining operational challenges, legal frameworks, and management practices, this research intends to provide practical insights into enhancing the financial health of stratified residential properties, ultimately contributing to the sustainability of vertical living in urban areas.

### *Literature review*

Urbanization, characterized by the growth and expansion of cities, is a prominent feature of contemporary development (Tobi et al., 2020). In Malaysia, rapid economic growth from the 1970s triggered significant urbanization and internal migration, giving rise to the Klang Valley—a term initially defined by Maidin and Kader (2008) in 1972. This region includes Kuala Lumpur, Gombak, Petaling, Klang, and Hulu Langat. Since the 1990s, urban growth in the Klang Valley has progressively moved westward through Petaling, Shah Alam, and Klang. From the 2000s to the 2010s, urban development continued to spread in multiple directions from Kuala Lumpur's center (Figure 1).



**Figure 1.** Klang Valley urban morphology.

Abdul Rashid and Ab Ghani (2011) further documented the urban expansion of the Klang Valley, demonstrating a similar pattern of growth. Their study observed the population increase from approximately 1.88 million in 1980 to 4.54 million in 2000. The phenomenon of urbanization in the Klang Valley has been extensively studied over the past few decades. Abd Aziz et al. (2014) describe this as a vertical living trend driven by internal migration, increasing land values, limited urban land, and lifestyle changes among city residents. The popularity of high-rise residential buildings in Kuala

Lumpur, as noted by Bakar et al. (2014), reflects this trend. Vertical living has become a favored choice due to factors like limited land availability, the desire for convenience, and the appeal of modern amenities (Tobi et al., 2020). Moreover, vertical living addresses urban sprawl and supports sustainable development. Benefits include the integration of green spaces, efficient use of land, and enhanced community interaction. Vertical living also provides convenient access to amenities such as shopping malls, restaurants, and transportation hubs (Cireddu, 2021). The shift towards high-rise living has significantly impacted Kuala Lumpur's skyline and lifestyle, promoting modern urban living while advancing sustainability.

The rise in urbanization and high-rise buildings necessitated the development of legal frameworks for property ownership, leading to the emergence of strata title. Initially, the National Land Code 1965 (NLC 1965) addressed air space ownership but was criticized for its complex and cumbersome implementation. The Strata Titles Act 1985 (STA 1985) aimed to rectify these issues but still left gaps, particularly concerning the management of common areas. This led to the introduction of the Building and Common Property (Maintenance and Management) Act 2007 (BCPA 2007), which focused on the maintenance and management of stratified properties. However, inconsistencies between STA 1985 and BCPA 2007 created further confusion (Bakar et al., 2022; Izanda et al., 2020). In 2015, the Strata Management Act 2013 (SMA 2013) was enacted to address these issues comprehensively, complemented by the Strata Management (Maintenance and Management) Regulation 2015. This legislation aimed to resolve the challenges posed by evolving property needs and legal complexities (Izanda et al., 2020). Strata Management Act (SMA) 2013 was introduced to cover the governance of stratified properties in Peninsular Malaysia and the Federal Territory of Labuan. It extended the role of the Commissioner of Buildings (COB) to enforce SMA 2013 provisions, established the Joint Management Body (JMB) and Management Corporation (MC) to oversee common properties, and allowed these bodies to create and amend house rules and by-laws. However, these rules must comply with the STA 1985, SMA 2013, and BCPA 2007 (Tan, 2019).

The Strata Management Tribunal (SMT) was established to resolve disputes in stratified properties efficiently and cost-effectively. It can hear claims up to RM250,000 (Tan, 2019). The Tribunal's jurisdiction includes issues related to the performance of functions under the Act, disputes over repair costs, recovery of charges, and disputes over by-law amendments (Bakar et al., 2021; Lai, 2019). The Tribunal can issue various orders, including monetary payments, refunds, compensation, and rectification of contracts or by-laws. It also has the authority to refer legal interpretations to the High Court when necessary (Mohamad, 2018). The management and recovery of debts in strata properties in Malaysia involve a complex legal framework designed to ensure the proper maintenance and financial stability of these properties. The Strata Management Act 2013 (SMA 2013) provides a structured approach to addressing such financial disputes, with specific provisions for the recovery of outstanding charges and contributions to sinking funds. This review explores the mechanisms available for debt recovery within the strata management framework, highlighting the roles of the JMB and MC, and examining recent developments aimed at improving efficiency in dispute resolution.

### ***Pathways for debt recovery***

In Malaysia, the resolution of financial disputes in strata properties can follow two primary pathways: the civil court or the Strata Management Tribunal (SMT). The choice between these avenues, depends on the nature and amount of the claim. The Strata Management Act (SMA) 2013 outlines detailed procedures for Joint Management Bodies (JMBs) and Management Corporations (MCs) to recover debts related to maintenance charges and contributions to the sinking fund. For JMBs, the process for debt recovery, begins with the issuance of an invoice. This invoice must be issued within 14 days, with a subsequent 14-day notice period for payment. If the payment is not made within this period, the JMB may initiate recovery under Section 34 of the SMA 2013 (Lai, 2019). If the debt remains unpaid after the notice period, the JMB may file a claim either in the Tribunal or the civil court, with the procedural specifics detailed in the Fourth Schedule of the SMA 2013. Similarly, the procedures for MCs. Like JMBs, MCs must issue an invoice and follow the same 14-day timeline for payment (Lai, 2019). If the debt remains unpaid after the notice period, the MC can pursue legal action through either the Tribunal or the civil court. The SMA 2013 provides clear guidance on jurisdiction and procedural matters in such cases.

### ***Efficiency of the strata management tribunal***

Recent statistics highlight that a significant portion of cases resolved by the SMT in 2022 were related to debt recovery. The SMA 2013 mandates that the Tribunal must resolve cases expeditiously, ideally within 60 days of the initial hearing (Mohamad, 2018). This efficiency positions the SMT as a practical alternative to the civil court, particularly for smaller claims. Additionally, the Ministry of Housing and Local Government (KPKT) has enhanced the process by launching the eTPS Online system on September 12, 2023. This digital platform aims to streamline the filing process, making it more accessible and cost-effective.

### ***Poor maintenance management***

The issue of poor maintenance management in Malaysia's strata buildings has been extensively documented. According to Zawawi et al. (2016), the prevalent problem lies in the inefficient maintenance of common areas within these buildings. This inefficiency stems from a range of factors, including ineffective management systems, inability to perform necessary maintenance work, and a lack of standardized procedures for managing strata buildings (Wahab et al., 2016). A study conducted by Wahab et al. (2016) highlighted that the inefficiencies in maintenance management were evident from 2005 to 2013. The study utilized various sources such as journals, media reports, and other observations to identify and analyze maintenance issues. The findings indicate a general pattern where poor maintenance is attributed to the inadequate adoption of maintenance standards and a methodical approach towards management (Rabe et al., 2021). The issues identified are listed in *Table 1*, which outlines common problems such as a lack of regulations, inefficient management, and insufficient knowledge among residents and management agents. The practice of maintenance management in Malaysia is often described as fragmented and reactive. Maintenance practices are characterized by a lack of systematic procedures and a disconnect between value and function, leading to inefficiencies and burdens on management bodies and property owners (Zawawi et al., 2016). This lack of integration in maintenance management reflects a broader issue where the goals and objectives of organizational and client

values are not adequately considered. Rabe et al. (2021) further explored the impact of maintenance on residents' satisfaction with common facilities in high-rise strata buildings. Their study found that the most critical common facilities, such as lifts and main pipe tanks, were often poorly managed, which directly affected residents' satisfaction.

**Table 1.** *Issues of maintenance management.*

No.	Issues	Mentions
1	Lack of rules and regulation on building maintenance	4
2	Residents overuse common property	2
3	Management committee faces problems filling vacancies	1
4	Lack of information on service quality measurement	4
5	Lack of information on maintenance provision	2
6	Many complaints about service quality	5
7	Lack of resident's knowledge on property management	2
8	No response from residents to emergency repairs	1
9	No standard guideline in property management	4
10	Lack of emphasis on future maintenance requirements	1
11	Lack of management agent's professional knowledge	4
12	Incomplete and non-systematic maintenance documents	2
13	Insufficient maintenance planning at the construction stage	2
14	Slow and inefficient maintenance management	9

(Source: Rabe et al., 2021)

### **Performance measurement**

Performance measurement is essential for assessing the effectiveness and efficiency of Corporate Real Estate Management and Facility Management. This involves tracking various metrics, such as quality, delivery, cycle time, waste, sustainability, creativity, and stakeholder satisfaction (Riratanaphong et al., 2012; Amaratunga and Baldry, 2003). Historically, performance measurement has evolved from focusing solely on financial metrics in the 1980s to incorporating a broader range of effectiveness and efficiency metrics in recent decades (Riratanaphong et al., 2012). Property managers in Malaysia face significant challenges due to rising expectations for effective management services. To address these challenges, performance measurement practices are crucial. The use of a Property Management Capabilities Index has been suggested as a method to evaluate and track management performance over time. This index helps property managers identify strengths and weaknesses and prioritize improvements (She et al., 2022).

The Malaysian Property Management Standards, established by the Board of Valuers, Appraisers, Estate Agents, and Property Managers (BOVAEAP), serve as a benchmark for performance measurement. These standards ensure that property managers perform their tasks professionally and in accordance with established practices. Key themes in performance management include tenancy management, maintenance management, building management, social management, financial management, and administrative management. The emphasis on "maintenance management" and "financial management" underscores their interconnectedness—effective maintenance management relies on sound financial management to fund maintenance activities (Zawawi et al., 2016). Recent studies have identified gaps in the operation and maintenance practices in Malaysia, such as deficiencies in maintenance

policy, scheduling, reporting, and emergency response plans (Zawawi et al., 2016). Addressing these gaps through the implementation of Standard Operating Procedures (SOPs) can enhance productivity, quality control, training, compliance, and overall organizational efficiency. SOPs are crucial for ensuring consistent results and improving operational performance (Riratanaphong et al., 2012).

### Conceptual framework

The management of strata residential buildings is crucial for achieving the shared goals and values of all owners. Effective management, characterized by sound productivity, can be measured through various metrics. Financial performance, supported by the application of SOPs, is used to validate the effectiveness of debt collection and its impact on working capital, such as receivables trends and cash balances. Standardized practices and SOPs contribute to reducing errors, enhancing efficiency, and ensuring quality in facility management (Zawawi et al., 2016; Riratanaphong et al., 2012). Establishing a self-sustainable strata residential building requires effective performance management in areas such as maintenance and financial management. A well-functioning maintenance management system supports owner satisfaction and financial stability, while poor financial management can undermine maintenance efforts (Figure 2).

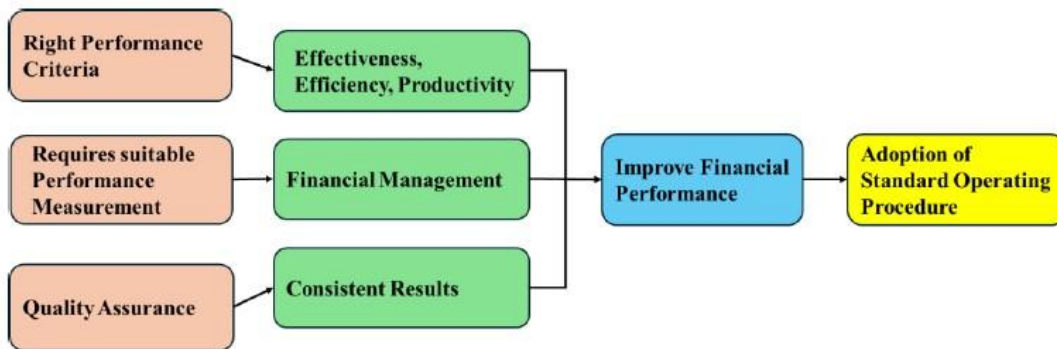


Figure 2. Conceptual framework.

### Materials and Methods

This study adopts a qualitative approach through case studies conducted in three stratified high-rise residential buildings to determine the existence and effectiveness of Standard Operating Procedures (SOPs) in managing receivables and recovering charges and contributions to sinking funds. The selected properties, which span low-cost, medium-cost, and high-cost categories, are situated in the Klang Valley. Properties are chosen based on market price benchmarks derived from recent average data, with the selection process involving convenience sampling. Properties are first assessed for accessibility, and their current market prices are compared to the benchmark range. Properties aligning with this range are selected for the study. Data collection encompasses four primary areas. The first involves obtaining and reviewing monthly minutes of Joint Management Body (JMB) or Management Corporation (MC) meetings. This data is limited to the level of access permitted by each JMB and focuses on the structured agenda of meetings, particularly regarding debt recovery and financial health.

Specifically, the review targets the presence of SOPs in the meetings' agenda, discussions on defaulters, and financial health.

The second area involves examining the management's SOPs for debt collection and recovery. This includes procedures for issuing unofficial reminders (e.g., letters, emails, phone calls), preparing reports for tracking and review, posting defaulter lists on notice boards, barring access cards, and conducting periodic reviews and reporting on the effectiveness of recovery processes. The third area includes cases filed with the Strata Management Tribunal. Data collection involves reviewing official reminders as prescribed under the Strata Management Act 2013 (SMA 2013), filing cases, hearings, and the enforcement of tribunal orders. The fourth area focuses on financial data for trend analysis and ratio computation. Key metrics include the ratio of outstanding charges to quarterly maintenance charges to determine non-payment rates, Day Sales Outstanding (DSO) calculated as in Eq. (1) as well as the current ratio computed in Eq (2):

$$\text{Day sales outstanding} = \frac{\text{Accounts Receivable}}{\text{Total Quarterly Billing}} \times 90 \text{ days} \quad \text{Eq. (1)}$$

$$\text{Current Ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}} \quad \text{Eq. (2)}$$

A current ratio above one indicates the JMB's ability to meet short-term obligations. Financial data from January 2023 to March 2024 is used for all three case studies, with the latest data set to March 2024 due to time constraints. Convenience sampling is utilized due to the large number of JMBs and MCs in the Klang Valley. This non-probability sampling method is chosen for its practicality and ease of access. Convenience sampling involves selecting subjects based on availability rather than random or systematic selection. While this approach may introduce potential biases, it allows for practical and efficient data collection. Three case studies are conducted to represent different property price strata. The use of convenience sampling aims to provide insights and generate hypotheses, though the generalizability of findings may be limited.

Qualitative analysis is employed to understand complex phenomena and delve into the nuances of participants' experiences. The analysis process includes organizing and managing collected data, familiarizing with key themes and patterns, and coding to identify and categorize concepts. Manual coding is used to analyze patterns, relationships, and trends. Interpretation of coded data involves synthesizing patterns and themes, considering context and meaning, and drawing connections between identified themes. Findings are summarized and communicated, with attention to potential limitations and biases in the data. Data for this study will be gathered through an in-depth review of operational practices and financial information. The operational practices of the selected properties will be verified, compiled, and documented to assess the extent to which standard operating procedures (SOPs) are available and followed. Following this, financial data will be compiled for analysis, focusing on trends in day sales outstanding (DSO) and the current ratio. Initially, a monthly analysis was conducted using these financial indicators, but the results were found to be inconsistent. This inconsistency was attributed to the fact that Joint Management Bodies (JMBs)

issue maintenance and sinking fund charges on a quarterly basis. As a result, the study shifted to using quarterly financial data instead of monthly, which provided more accurate and coherent results. The quarterly approach also helped smooth out fluctuations, which may occur due to advance payments made by some property owners. Thus, the quarterly analysis offered a more reliable metric for assessing financial performance.

### ***Determination of property price range***

To categorize property prices, the average house price in 2022, estimated at RM450,000, was used as the baseline for medium-cost properties. A positive deviation of 30% and a negative deviation of 20% from this baseline were applied to define the range. Consequently, the price range for medium-cost properties was determined to be between RM360,000 and RM540,000. Properties priced below RM360,000 were classified as low-cost, while those above RM540,000 were classified as high cost (*Table 2*). For this research, the selling (or asking) price of selected properties was considered as the market price. Although asking prices are often subject to negotiation, they were taken as representative of market prices at the time of the study due to time constraints. Data on property prices were collected from two electronic advertisement websites, PropertyGuru and iProperty. Two samples were selected from each website, and the summary of the selected properties is presented in *Table 3*.

***Table 2. Determination of property price range.***

No.	Category	Price Range
1	Low-cost	Below RM360,000
2	Medium-cost	RM360,000 to RM540,000
3	High-cost	Above RM540,000

***Table 3. Summary of selected properties.***

No.	Category	Property Name	Location	Status
1	Low-cost	Beverly Tower, Plaza Medan Putra	Menjalara, Kuala Lumpur	JMB
2	Medium-cost	Maskiara Residence	Taman Tun Dr. Ismail, Kuala Lumpur	JMB
3	High-cost	Expressionz Professional Suites	Jalan Tun Razak, Kuala Lumpur	JMB

## **Results and Discussion**

### ***Case study: Beverly Tower Plaza Medan Putra***

Beverly Tower Plaza Medan Putra is a mixed-use stratified development located in Bandar Menjalara. It was completed approximately 12 years ago by the developer Sri Melinger Sdn Bhd. Over time, the property has experienced deterioration due to poor management and the increasing presence of foreign workers as tenants. The Joint Management Body (JMB) has faced prolonged challenges in maintaining adequate collections from property owners, contributing to the overall decline of the property.

#### ***Area 1: Monthly JMB meetings***

The minutes from the monthly JMB meetings between June 2023 and April 2024 were analyzed to assess the committee's adherence to proper procedures in addressing financial health and defaulting owners (*Table 4*). The JMB followed a structured agenda, ensuring that issues regarding financial health and defaulters were regularly

discussed. Meetings were skipped in September 2023 and March 2024. Despite this, the consistent focus on defaulters and financial health suggests that the JMB actively managed these areas in accordance with standard operating procedures (SOP).

**Table 4.** Minutes of meeting data for Beverly Tower Plaza Medan Putra.

No.	Month	Meeting Date	Structured Agenda	Agenda on Defaulter	Agenda on Financial Health
1	Jun-23	03-Jun-23	Yes	Yes	Yes
2	Jul-23	20-Jul-23	Yes	Yes	Yes
3	Aug-23	24-Aug-23	Yes	Yes	Yes
4	Sep-23	No meeting held			
5	Oct-23	24-Oct-23	Yes	Yes	Yes
6	Nov-23	21-Nov-23	Yes	Yes	Yes
7	Dec-23	18-Dec-23	Yes	Yes	Yes
8	Jan-24	23-Jan-24	Yes	Yes	Yes
9	Feb-24	27-Feb-24	Yes	Yes	Yes
10	Mar-24	No meeting held			
11	Apr-24	04-Apr-24	Yes	Yes	Yes

### **Area 2: SOP for debt recovery**

The JMB has a systematic SOP for debt recovery, executed monthly (Table 5). In addition to reminders and reporting, a significant step was taken in November 2023, when the JMB upgraded the access card system to prevent unauthorized duplication. This system also served as a method to enforce payment compliance, as delinquent owners had their access cards blocked. This effort showcases the JMB's proactive approach to tackling non-payment issues.

**Table 5.** Debt recovery SOP data for Beverly Tower Plaza Medan Putra.

No.	Procedures	Yes/No	Frequency
1	Periodic reminders through letters, email, phone calls, etc.	Yes	Monthly
2	Preparation of reports for tracking and review	Yes	Monthly
3	Posting defaulter list on notice boards	Yes	Monthly
4	Blocking access cards for defaulters	Yes	Monthly
5	Review of recovery process effectiveness	Yes	Monthly
6	Reporting to the JMB for continuous review	Yes	Monthly

### **Area 3: Filing of cases to Strata Management Tribunal**

The JMB has not yet filed any cases to the Strata Management Tribunal (SMT) due to data corruption issues during a system migration in 2019. As a result, some owners' accounts showed discrepancies, hindering the legal process. However, during the Eleventh Annual General Meeting (AGM) held in June 2024, the JMB announced that the issue would be rectified and that they plan to pursue debt recovery through the SMT.

### **Area 4: Financial data**

A review of the financial data shows fluctuations in the property's collection rate and outstanding receivables, reflecting the impact of debt recovery efforts.

### **Financial trend analysis**

Table 6 illustrates that the percentage of collection to billing remained between 99% and 109% from Q1 to Q3 of 2023. However, there was a significant decline in Q4 2023, which coincided with the upgrade of the access card system. The implementation of the system in Q4 led to a recovery in collections, with the percentage rising to 126% by Q1 2024.

**Table 6.** Financial trend analysis for Beverly Tower Plaza Medan Putra.

Quarter	Billing (RM'000)	Actual Collection (RM'000)	Percentage to Billing (%)
Q1 2023	374	369	99%
Q2 2023	374	392	105%
Q3 2023	374	407	109%
Q4 2023	374	307	82%
Q1 2024	374	470	126%

### Day Sales Outstanding (DSO)

The DSO trend highlights a positive change following the access card upgrade. The DSO decreased from 179 days in Q1 2023 to 95 days in Q1 2024, indicating improved collection efficiency (Table 7).

**Table 7.** DSO trend for Beverly Tower Plaza Medan Putra.

Quarter	Billing (RM'000)	Total Receivable (RM'000)	DSO (Days)
Q1 2023	374	745	179
Q2 2023	374	501	121
Q3 2023	374	450	108
Q4 2023	374	514	124
Q1 2024	374	396	95

### Current ratio

The current ratio of Beverly Tower Plaza Medan Putra declined from 2.0 in Q1 2023 to 1.6 in Q1 2024 (Table 8). This reduction corresponds to improved collections and the decrease in outstanding receivables. Beverly Tower Plaza Medan Putra's JMB has shown significant improvement in financial recovery through structured debt collection practices and the introduction of an upgraded access card system. While challenges remain, particularly in filing cases to the Strata Management Tribunal, the financial health of the property has improved, as evidenced by the increase in collection rates and the reduction in DSO. Maintaining a proactive approach in management will be key to sustaining this progress.

**Table 8.** Accounting current ratio trend for Beverly Tower Plaza Medan Putra.

Quarter	Total Current Assets (RM'000)	Total Current Liabilities (RM'000)	Current Ratio (Times)
Q1 2023	1,277	611	2.0
Q2 2023	974	599	1.6
Q3 2023	1,019	545	1.9
Q4 2023	974	557	1.7
Q1 2024	997	635	1.6

### Case study: Maskiara residences – Analysis of financial management and debt recovery

Maskiara Residences, located near Taman Tun Dr. Ismail on a Malay Reserve Land, is a residential development designed to attract both owners and investors. However, the

property has faced challenges, particularly with regard to the refusal of some owners to pay maintenance fees. This study explores the steps taken by the Joint Management Body (JMB) to address these challenges, improve financial health, and recover debts. The focus is on minutes of meetings, the Standard Operating Procedure (SOP) for debt recovery, legal action through the Strata Management Tribunal (SMT), and key financial metrics such as Day Sales Outstanding (DSO) and the current ratio.

**Area 1: Monthly minutes of meetings**

The Joint Management Body (JMB) of Maskiara Residences has demonstrated a structured approach to monitoring financial health and defaulter tracking. *Table 9* summarizes the monthly minutes of JMB meetings from June 2023 to April 2024, showing that all meetings consistently addressed defaulters and financial health. This adherence to process reflects the JMB’s commitment to following proper governance and ensuring transparency in managing outstanding maintenance fees.

**Table 9.** *The title name for table.*

No.	Month	Meeting Date	Structured Agenda	Agenda on Defaulters	Agenda on Financial Health
1	Jun-23	12-Jun-23	Yes	Yes	Yes
2	Jul-23	10-Jul-23	Yes	Yes	Yes
3	Aug-23	09-Aug-23	Yes	Yes	Yes
4	Sep-23	19-Sep-23	Yes	Yes	Yes
5	Oct-23	18-Oct-23	Yes	Yes	Yes
6	Nov-23	16-Nov-23	Yes	Yes	Yes
7	Dec-23	15-Dec-23	Yes	Yes	Yes
8	Jan-24	18-Jan-24	Yes	Yes	Yes
9	Feb-24	20-Feb-24	Yes	Yes	Yes
10	Mar-24	No meeting held	-	-	-
11	Apr-24	18-Apr-24	Yes	Yes	Yes

**Area 2: SOP for debt recovery**

To manage and recover debts, the JMB implemented an SOP in addition to the statutory provisions in the Strata Management Act (SMA) 2013. *Table 10* shows the key steps, such as periodic reminders to owners, defaulter lists, barring access cards, and periodic reviews of recovery effectiveness. The frequency of these procedures, ranging from monthly to quarterly, suggests a proactive approach to debt recovery.

**Table 10.** *SOP for debt recovery.*

No.	Procedures	Yes/No	Frequency
1	Periodic reminders to owners	Yes	Monthly
2	Preparation of reports for tracking	Yes	Quarterly
3	Defaulter list on notice boards	Yes	Quarterly
4	Barring of access cards	Yes	Quarterly
5	Review of recovery process	Yes	Quarterly
6	Reporting to the JMB	Yes	Quarterly

**Area 3: Filing of cases to Strata Management Tribunal (SMT)**

The JMB also pursued legal action through the Strata Management Tribunal (SMT) to recover long-outstanding fees. *Table 11* outlines the number of cases filed, amounts

claimed, and the outcomes. The effectiveness of this legal recourse is evident, as no new cases were filed after November 2023, with delinquent owners either making payments or being ordered to pay by installments.

**Table 11.** *Filing cases to Strata Management Tribunal.*

No.	Date	No. of Form 11	Total Amount Claimed (RM)	No. of Cases Submitted to SMT	Total Amount Claimed (RM)
1	13-Jun-23	17	44,460.59	1	1,718.60
2	18-Jul-23	8	91,624.25	6	85,833.40
3	28-Jul-23	5	24,033.25	0	-
4	27-Jul-23	1	1,718.06	0	-
5	09-Aug-23	2	2,656.36	0	-
6	22-Sep-23	20	46,646.77	0	-
7	21-Nov-23	4	11,319.09	0	-

#### **Area 4: Financial data**

##### ***Trend of total outstanding***

Maskiara Residences saw a consistent improvement in the collection of maintenance fees, with a collection percentage rising from 85% in Q1 2023 to over 100% in subsequent quarters due to the collection of previously outstanding debts. However, this dipped slightly to 96% in Q1 2024, indicating a return to normal payment timelines by the majority of owners (*Table 12*).

**Table 12.** *Trend of total outstanding.*

Quarter	Billing (RM'000)	Collection (RM'000)	Percentage to Billing (%)
Q1 2023	355	301	85%
Q2 2023	355	395	111%
Q3 2023	355	357	101%
Q4 2023	355	374	105%
Q1 2024	355	343	96%

##### ***Day Sales Outstanding (DSO)***

The DSO improved over the period, dropping from 94 days in Q1 2023 to 73 days in Q4 2023. This improvement is aligned with the financial trend data, indicating that the debt recovery efforts have been effective (*Table 13*).

**Table 13.** *Day Sales Outstanding (DSO).*

Quarter	Billing (RM'000)	Total Receivable (RM'000)	DSO (days)
Q1 2023	355	371	94
Q2 2023	355	327	83
Q3 2023	355	322	82
Q4 2023	355	287	73
Q1 2024	355	293	74

##### ***Current ratio***

The current ratio, a measure of financial liquidity, remained consistently above 1.5 times, indicating that Maskiara Residences has sufficient assets to cover its liabilities.

Table 14 presents this trend, showing that the JMB maintained a healthy financial position throughout the period.

**Table 14.** Current ratio.

Quarter	Current Assets (RM'000)	Current Liabilities (RM'000)	Current Ratio (times)
Q1 2023	799	516	1.5
Q2 2023	745	424	1.8
Q3 2023	761	457	1.7
Q4 2023	783	462	1.7
Q1 2024	763	461	1.7

Maskiara Residences' approach to financial management and debt recovery has shown positive results. The combination of structured monthly meetings, adherence to an effective SOP for debt recovery, and legal action through the SMT has contributed to improving the financial health of the property. While challenges persist, such as the occasional dip in collection rates, the overall trend indicates that the JMB's strategies are effective in maintaining financial stability and ensuring timely payment from residents.

#### **Case study: Expressionz professional suites**

Expressionz Professional Suites, situated off Jalan Tun Razak, Kuala Lumpur, is a leasehold stratified property located within the heart of a bustling cosmopolitan area. The property, completed approximately five years ago, was developed with a modern lifestyle concept, targeting affluent buyers, primarily from the T20 income group. Due to the financial stability of the owners, the property has not experienced significant issues related to non-payment of maintenance fees. However, an analysis of the Joint Management Body (JMB) meetings, Standard Operating Procedures (SOPs) for debt recovery, financial trends, and accounting data reveals areas of concern regarding governance and financial oversight.

#### **Area 1: Monthly minutes of meeting**

The analysis of monthly JMB meetings from November 2023 to April 2024 highlights inconsistencies in the handling of financial matters and defaulters. Table 15 summarizes the data extracted from the JMB meetings, showing that out of five meetings, the topic of financial health was discussed only twice, and defaulters were addressed once. This lack of consistent attention to financial matters and defaulters' management suggests gaps in the governance practices of the JMB.

**Table 15.** Monthly meeting.

No.	Month	Meeting Date	Structured Agenda	Agenda on Defaulter	Agenda on Financial Health
1	Nov-23	27-Nov-23	Yes	No	No
2	Dec-23	13-Dec-24	Yes	No	No
3	Jan-24	08-Jan-24	Yes	No	Yes
4	Jan-24	27-Jan-24	Yes	No	No
5	Apr-24	25-Apr-24	Yes	Yes	Yes

#### **Area 2: SOP for debt recovery**

The SOP for debt recovery at Expressionz Professional Suites has not been fully implemented. As shown in *Table 16*, critical actions such as the preparation of reports for tracking and the periodic review of recovery processes were not carried out. These lapses could be attributed to the inconsistent discussions on defaulters during the JMB meetings, further compromising debt recovery efforts.

**Table 16.** *SOP for debt recovery.*

No.	Procedures	Yes/No	Frequency
1	Periodic unofficial reminders to owners	Yes	Monthly
2	Preparation of reports for tracking and review	No	n/a
3	Posting defaulter list on notice boards	Yes	Monthly
4	Barring of access cards	Yes	Monthly
5	Periodic review of recovery process	No	n/a
6	Reporting to JMB or MC as part of SOP	No	n/a

### **Area 3: Filing of cases to Strata Management Tribunal**

At the time of this study, the JMB had not filed any cases with the Strata Management Tribunal, and no records of past filings were available. Further investigation revealed that the JMB had not initiated legal action against defaulters for a prolonged period. This lack of enforcement could further weaken the financial health of the property by allowing defaulters to evade their obligations without consequence.

### **Area 4: Financial data**

Financial data analysis reveals that while the collection rate varied, the overall financial performance of the property exhibited a degree of instability.

#### ***Trend of outstanding against quarterly maintenance charges***

*Table 17* illustrates the percentage of actual collections relative to the billed maintenance charges. The percentage ranged from a low of 85% in Q4 2023 to a high of 117% in Q2 2023, showing inconsistency in collection efforts, potentially due to the lack of robust debt recovery practices.

**Table 17.** *Trend of outstanding against quarterly maintenance charges.*

Quarter	Billing (RM '000)	Actual Collection (RM '000)	Percentage to Billing (%)
Q1 2023	445	436	98%
Q2 2023	445	520	117%
Q3 2023	445	470	106%
Q4 2023	445	379	85%
Q1 2024	445	458	103%

### **Day Sales Outstanding (DSO)**

Despite the absence of comprehensive debt recovery procedures, Expressionz Professional Suites maintained a relatively low Day Sales Outstanding (DSO), ranging from 21 to 59 days (*Table 18*). This favorable DSO suggests that, on average, defaulters were not a significant problem compared to other properties, but the variability in DSO may still indicate room for improvement.

**Table 18.** *Day Sales Outstanding (DSO).*

Quarter	Billing (RM '000)	Total Receivable (RM '000)	DSO (days)
Q1 2023	445	290	59
Q2 2023	445	233	47
Q3 2023	445	107	22
Q4 2023	445	194	39
Q1 2024	445	103	21

### Accounting current ratio

Table 19 displays the current ratio trends, showing all reported quarters maintaining a ratio above 1.0, with a low of 1.3 and a high of 1.5. This indicates that the property has sufficient assets to cover its short-term liabilities, but the declining trend suggests the need for more effective financial management and debt recovery practices.

**Table 19. Accounting Current Ratio.**

Quarter	Total Current Assets (RM '000)	Total Current Liabilities (RM '000)	Current Ratio
Q1 2023	2,001	1,314	1.5
Q2 2023	2,200	1,589	1.4
Q3 2023	2,087	1,613	1.3
Q4 2023	1,830	1,332	1.4
Q1 2024	1771	1350	1.3

Expressionz Professional Suites faces challenges in governance and debt recovery, despite its relatively affluent owners. The inconsistent handling of defaulters and financial health in JMB meetings, along with the lack of adherence to SOPs, poses a risk to long-term financial stability. While the property currently maintains healthy ratios and a favorable DSO, improvements in governance, debt recovery processes, and regular monitoring of financial health are necessary to safeguard its future. In conclusion, the operational and financial performance of the three properties: Maskiara Residences, Beverly Tower Plaza Medan Putra, and Expressionz Professional Suites; can be assessed using a simple scoring system based on their adherence to Standard Operating Procedures (SOP) and financial health. Maskiara Residences emerged as the top performer, followed by Beverly Tower Plaza Medan Putra, with Expressionz Professional Suites ranking lowest. This scoring system, presented in Table 20, was developed by analyzing two key areas: operational aspects, such as adherence to SOPs for debt recovery, and financial indicators, including Day Sales Outstanding (DSO) and Current Ratio.

**Table 20. Scoring System.**

Procedures and analysis	Beverly Tower Plaza Medan Putra	Maskiara Residences	Expression profesional suites
Operational data			
Monthly minutes of meeting	3	3	1
SOP for debt recovery	3	3	1
Filing of cases to SMT	1	3	1
Sub total	7	9	3
Ranking	2	1	3
Financial data			
Collection vs billing	3	3	2
DSO	3	3	3
Current ratio	3	3	3
Sub total	9	9	8
Ranking	1	1	2
Grand total	16	18	11

### ***Operational scoring and findings***

Maskiara Residences demonstrated the highest adherence to SOPs, particularly in debt recovery and operational efficiency, scoring the highest in monthly meetings and filing cases with the Strata Management Tribunal (SMT). Beverly Tower Plaza Medan Putra followed closely behind, while Expressionz Professional Suites lagged, indicating a lower emphasis on operational SOPs. The high DSO for Maskiara Residences and Beverly Tower Plaza Medan Putra highlights their focus on debt collection, in contrast to Expressionz Professional Suites, which showed a comparatively low DSO, reducing the urgency for stringent debt recovery practices.

### ***Financial scoring and findings***

The financial scoring was based on three key indicators: collection vs. billing, DSO, and Current Ratio. Both Maskiara Residences and Beverly Tower Plaza Medan Putra performed consistently across all quarters, with high scores in these categories, reflecting an improvement in their financial health. Expressionz Professional Suites, however, exhibited inconsistent trends in collection vs. billing, with peaks and valleys, and a significant dip in Q4 2023, where collections fell to 85% of billing. Despite this, its low DSO of 38 days (with a minimum of 21 days in Q1 2024) suggests that the property management was relatively effective in minimizing outstanding payments.

### ***Overall ranking and findings***

The overall ranking places Maskiara Residences at the top, followed by Beverly Tower Plaza Medan Putra, and finally, Expressionz Professional Suites. While the ranking provides an indication of performance, it is not necessarily a measure of better management practices. The purpose of the ranking is to answer the research questions and achieve the research objective of assessing the operational and financial health of these properties. The data reveals that Maskiara Residences and Beverly Tower Plaza Medan Putra are improving their financial positions quarter by quarter, whereas Expressionz Professional Suites struggles with consistency in its financial performance. This case study highlights the importance of consistent adherence to operational SOPs and robust financial management to ensure the financial health of stratified properties. Future research could explore more comprehensive methodologies for assessing property management performance, incorporating qualitative data from stakeholders and additional financial metrics for a more holistic analysis.

## **Conclusion**

The literature review highlights several reasons for non-payment of maintenance fees by property owners, including lack of awareness, resistance to authority, dissatisfaction due to perceived lack of accountability, and weak enforcement by Joint Management Bodies (JMB) or Management Corporations (MC). Among these reasons, this study focused on validating the lack of enforcement by JMBs or MCs as a key factor. Case studies from Beverly Tower Plaza Medan Putra and Maskiara Residences support the assertion that applying SOPs—such as holding regular meetings to review defaulters, sending reminders, restricting access via cards, and publicly displaying defaulters’

names—can improve debt recovery. The recovery of debts was notably more effective when legal measures, such as filing cases with the Strata Management Tribunal (SMT), were taken. From the case studies, it can be observed that the application of SOPs positively impacted financial performance, particularly in reducing the Days Sales Outstanding (DSO) for Beverly Tower Plaza Medan Putra and Maskiara Residences. DSO, a measure of how long debts remain uncollected, improved as more stringent measures were adopted, such as restricting defaulters' access to facilities. For instance, a noticeable reduction in DSO was observed when access cards for defaulters were blocked. However, Expressionz Professional Suites stands out as an outlier, where the lack of formal SOPs did not hinder its ability to collect maintenance fees effectively. This discrepancy may be due to a range of factors, such as the financial capacity or behavior of the owners, and warrants further investigation to explore the underlying reasons.

### ***Recommendations for future research***

The findings from this study are based on prescribed SOPs that are commonly practiced by JMBs and MCs. It is recommended that JMBs, MCs, and property managers adopt more comprehensive and clearly defined SOPs in their debt recovery processes. These procedures should not only include routine actions but also leverage legal avenues for debt recovery, drawing from best practices and success stories from other property management bodies. Moreover, this research reveals gaps in understanding owner behavior based on socio-economic factors, particularly in properties like Expressionz Professional Suites, where the standard factors influencing non-payment may not apply. Future research could explore the impact of owners' income levels, investment portfolios, and payment habits on their compliance with maintenance fee payments. More case studies and varied permutations of these factors will be valuable in further improving the financial management of stratified residential properties. Ultimately, the adoption of a robust SOP, tailored to the specific needs and characteristics of each property, is essential for improving financial performance and ensuring the sustainability of JMBs and MCs in managing stratified developments.

### **Acknowledgement**

The authors would like to thank Prince Sultan University for their support.

### **Conflict of interest**

The authors confirm that there is no conflict of interest involve with any parties in this research study.

### **REFERENCES**

- [1] Abd Aziz, W.N.A.W., Musa, Z.N., Hanif, N.R., Aini, A.M., Sarip, A.G. (2014): Vertical living phenomenon in Malaysia. – In FIG Congress 12p.
- [2] Abdul Rashid, M.F., Ab Ghani, I. (2011): The importance of internal migration in urban planning process: A case study of Klang Valley. – International Journal of Social Planning and Development 1(1): 1-12.

- [3] Amaratunga, D., Baldry, D. (2003): A conceptual framework to measure facilities management performance. – *Property Management* 21(2): 171-189.
- [4] Bakar, N.A., Azmi, R., Sufian, A., Saripan, H. (2022): Legal Ramifications of a Private Lease Scheme Property Sale by Malaysian Developers. – *Journal of ASIAN Behavioural Studies* 7(21): 29-43.
- [5] Bakar, N.A., Azmi, R., Sufian, A., Saripan, H. (2021): The Legal Implications of a Sale of Property by the Malaysian Developers under the Private Lease Scheme: In two minds? – *Environment-Behaviour Proceedings Journal* 6(17): 183-187.
- [6] Bakar, N.I.A., Mansor, M., Harun, N.Z. (2014): Vertical greenery system as public art? Possibilities and challenges in Malaysian urban context. – *Procedia-Social and Behavioral Sciences* 153: 230-241.
- [7] Cireddu, A. (2021): New housing developments in the city center of Guadalajara (Mexico): An analysis from the perspective of collective and sustainable dwelling. – *Buildings* 11(4): 19p.
- [8] Hamid, F.S., Loke, Y.J., Chin, P.N. (2023): Determinants of financial resilience: insights from an emerging economy. – *Journal of Social and Economic Development* 25(2): 479-499.
- [9] Lai, C.H. (2019): *Strata Management Practice & Procedure: A Comprehensive Explanation on the Process, Forms & Precedents*. – CLJ Publication 984p.
- [10] Maidin, A.J., Kader, S.Z.S.A. (2008): Regional planning authority in Malaysia: legal and institutional framework. – *IJUMIJ* 16(1): 31p.
- [11] Manukhina, L., Samosudova, N.J. (2018): Specific features of modern multifunctional high-rise building construction. – In *E3S Web of Conferences, EDP Sciences* 33: 6p.
- [12] Mohamad, M. (2018): Strata Titles Management Disputes: Strata Titles Board Under the Strata Titles Act 1985 and Strata Management Tribunal Under Strata Management Act 2013. – *International Journal of Asian Social Science* 8(10): 801-807.
- [13] Izanda, N.S.S., Samsudin, S., Zainuddin, M. (2020): Strata title reforms in Malaysia: A review and challenges of regulatory and governance panacea. – *European Journal of Molecular & Clinical Medicine* 7(08): 14p.
- [14] Shuhaimi, A.A.A., Osman, M.M., Rabe, S., Alhabshi, S.M.S.K., Aripin, D. (2022): ENFORCEMENTS AND OFFENCES UNDER THE STRATA MANAGEMENT ACT. – *PLANNING MALAYSIA* 20(1): 36-47.
- [15] Tan, C. (2019): *Strata Owner's Manual & Guidebook 2.0 (Strata OMG 2.0)*. – Petaling Jaya, Selangor, Malaysia: EdgeProp. my & Chur Associates 120p.
- [16] Tobi, S.U.M., Jasimin, T.H., Rani, W.N.M.W.M. (2020): Overview of affordable housing from supply and demand context in Malaysia. – In *IOP Conference Series: Earth and Environmental Science, IOP Publishing* 409(1): 9p.
- [17] Rabe, N.S., Osman, M.M., Abdullah, M.F., Ponrahono, Z., Aziz, I.F.A. (2021): Issues faced by tenants in high-rise strata residential: case study of Klang valley. – *Planning Malaysia* 19(5): 180-191.
- [18] Riratanaphong, C., van der Voordt, T., Sarasoja, A.L. (2012): Performance measurement in the context of CREM and FM. – *Technical University of Denmark* 26p.
- [19] She, T.J., Aini, A.M., Zyed, Z.A.S. (2022): Performance measurement practices in property management of public housing Malaysia. – *Planning Malaysia* 20(5): 287-301.
- [20] Wahab, S.R.H.A., Ani, A.I.C., Sairi, A., Tawil, N.M., Razak, M.Z.A. (2016): A survey on classification of maintenance fund for high rise residential building in Klang Valley. – In *AIP Conference Proceedings, AIP Publishing LLC* 1761(1): 7p.
- [21] Zawawi, Z.A., Khalid, M.K.A., Ahmad, N.A., Zahari, N.F., Salim, N.A.A. (2016): Operation and maintenance in facilities management practices: a gap analysis in Malaysia. – In *MATEC Web of Conferences, EDP Sciences* 66: 7p.