Housing development and policies in malaysia economics essay

There are many of studies that have been done to study the problems faced by middle income group to own a house in Shah Alam, Selangor. For this study the researcher is focusing more on the middle income group that have encounter difficulties in owning their own house based on several reasons that we have gathered throughout this study. This literature review is focused on understanding of Housing Development and Policies in Malaysia, Affordability issues, Housing Provision by Public and Private sectors, Housing Price, Insufficient Housing Allocations, the act of cheating to buy a house , House Location, and Insufficient Income. All these issues are particularly related with our research study, which is to identify the factor of why middle income group are having difficulties in owning their own house.

2. 1 Housing Development and Policies in Malaysia.

The housing policy involves a number of complex issues nowadays. Malaysia is a country that has multi-cultural society with 3 basic racial-religious groups. Therefore, the housing industry has to take into consideration all these aspect in the development of national housing and planning. The housing and residential pattern has been noticeable due to their economic activities of these 3 different ethnic groups (Tan, 2011). For example, in the past Chinese has been dominated business industry and they lives in town area. Meanwhile, Malay people were complacent with agriculture activities and living in rural areas while Indian people are doing estate work located in rubber and palm oil estate. In order to get rid of these unbalance in term of economic of these 3 ethnic group, the government has come out with one solution by introducing New Economic Policy (NEP) in year 1970 to change the stereotype. The reason why NEP was introduced to foster national unity

and nation-building through the eradication of poverty, irrespective of race, and the restructuring of society to eliminate the identification of race with economic function and geographic location (EPU, 2011). Malaysian government has encouraged Malay people to migrate to urban centres as part of NEP strategy to create a new Malay commercial community in urban area (Tan, 2011). However, due to the increase rate of Malay people migrates to urban areas in 1980's, the demand for affordable housing also shows a significant demand growth. But a severe shortage in affordable housing has arisen. Generally, there are 2 alternative for the state to assist their citizen in housing provision and one of them is allocating housing specifically to households those are unable to provide themselves in the general market and another one is to intervene in the functioning of the general market in order to make it more likely to fulfil the housing needs of all households (Aziz, et, al, 2010). Thus, in the efforts to reduce housing problem for Malaysian citizen especially those low income groups, the government has formulated housing policies and programs to ensure that all have the access to adequate housing. The main objective of housing policy in most countries was once simply to build more houses. This was response to a lack of market-driven supply on a situation of socially perceived large scale housing need (Tan, 2011). A part from that, the introduction and the forming of housing policies for a country have another aims, from another scope, pointed by Ismail Omar (2000) and Harvey (1987), such as:

a. To achieve the optimum used of present resources.

b. To make sure the public can owned a house.

c. Gives guild line on new location.

d. To make sure special group of public can owned home such as elderly citizen.

e. Steering the state and local authorities to provide fair housing distribution.

A National Housing Policy (NHP) is needed to provide the direction and basis for the planning and development of the housing sector by all relevant ministries, departments and agencies at the federal, state and local levels as well as the private sector. Thus, according to Tan, 2011, among the early housing policy made by Malaysian government is to introduce:-

First Malaysian Plan (1966-1970) and Second Malaysian Plan (1971-1975): Variety of programs designs to promote welfare of all Malaysian regardless of ethnic background by providing improved housing, community facilities, welfare and other services.

Third Malaysian Plan (1976-1980): To eradicate poverty and restructure the society

Fourth Malaysian Plan (1981-1985): The continuation of previous policy

Fifth Malaysian Plan (1986-1990): Housing programs are being implemented in the context of human settlement concept. Here, the social facilities is emphasised rather than the provision of basic infrastructural facilities.

Sixth Malaysian Plan (1991-1995): Home owning within various income group is emphasize.

Seventh Malaysian Plan (1996-2000): introduction of low-medium cost housing. According to Residential Property Stock Report, the house price can be categorize into low-cost housing (below RM42, 000), low-medium cost housing (RM 42, 000-RM 60, 000), medium cost housing (RM 60, 001-Rm 100, 000) and high-cost housing (RM 100, 001).

Eight Malaysian Plan: Priority is continue to be given to the development of low-and low-medium cost houses. Private and public sector were cooperating with each other to meet housing demand.

Ninth Malaysian Plan (2006-2010): ensure low and low-medium income group will have the access to adequate, quality and affordable housing.

Tenth Malaysia Plan (2011-2015): the government targeted to build 78, 000 units of affordable homes throughout the country to meet the needs of the various groups, and another 38, 942 units of PPR will be built particularly the low-income groups and the resettlement of squatters.

If we go back into the previous year, the government's priority is towards the low-income level group of people. Many programs and project has been launched to help them to sustain living and bring them up to from the poor state. However, no specific policies are stipulated to uphold the need and demand of middle income group. Trapped between the low cost and high cost housing, the middle income group need are not yet being uphold by the government in which they are in a situation that they can afford to buy a house but it is only provided for the low-income group but they are also in a hard situation to compete in high-cost housing According to Housing and Local Government Minister Datuk Seri Chor Chee Heung, he said that the

housing needs of the middle-income group made up about 40% of the population of the people and are in need to be addressed urgently.

2. 2 Housing Provision by Public and Private sectors.

In Malaysia, housing development and activities are subject to approval from higher authority from the relevant state and federal authorities except for individual or group housing (Tan, 2011). Land conversion, preparation for layout plan, building and infrastructure plans, planning of infrastructure and assessment on environmental impact with involvement of many government agencies, both at federal and local level are those processes that housing companies must go through before starts doing housing project for the benefit of people at large. Among those government department or agencies that requiring approval before housing project can be successfully implemented and build are Land and Mines department, the land offices, Local Authorities, the Survey department, Telekom Malaysia, Tenaga Nasional, the Water Work department and Town and Country Planning department. In addition to the research made by Tan (2011), all housing development project must follow all instruction stated in the national housing policy that has been regulated to uphold the right and helps people to own a house such as Bumiputera quota, housing control prices, and standard build-up location for low-cost housing, and provision of public amenities for residential housing projects. The public sector plays roles in providing adequate and fulfilling the housing needs by allocating and providing public housing for lower income group and household and has been put as one of the country's priority since the Five Years National plans and the example can be seen in the establishment of Federal Land Development Authority

(FELDA), Federal land Consolidation and Rehabilitation Authority (FELCRA), and Johore Tenggaraa Developemtent Boar (KEJORA). A part from that, they also are responsible in providing public houses in urban areas through the establishment of various government and urban development agencies. However, by depending only on public sector, make it hard for the government to fulfil the higher demand on housing provision for Malaysian citizen. Thus, the government need private sector to help them to provide more housing developments for the public. In order for the private company to engage in the build of housing, they must first obtain the license, sales and advertising permits from the land and Mines Department, District & Land Office, Town and Country Planning Department and from local authorities and utility agencies who own the responsibility towards national water, electricity, road and telecommunication supplies.

2. 3 Affordability issues.

Affordability is always the main issues being highlight by most people who did not have the opportunity to buy their own house. Since housing industry is an important factor in Malaysian industry, the health of housing market is very important and directly gives impact to the affordability of household to own a house. It was argued that the word affordability is basically based on the economic factor of the household itself and the second one is based on the financing of the social rented sector (Aziz, et, al, 2010). Between these 2, the former is proven to have a strong impact by the housing policy. This rising issues regarding affordability problems in owning a house can be considered as one of the most controversial issues within developed or developing countries (Nguyen, 2005). Affordability cannot be described as

simple as it seems because different people might perceived different meaning of the word itself. Several attempts also have been tried in order to understand how and why affordability problem are existed. These problems have been continuing year by year, it is now becoming the major concern among political leaders, town planners and the government (Hashim, 2010). Due to that rising issues, a precise measures has to be made to ensure all type of household especially those middle income group are able to enjoy and fulfilling their life-long investment and also the need for shelter. The affordability in a narrow concept can also be perceived as related to household incomes, housing cost, housing availability, employment, maintenance of the existing affordable housing stock and the pattern of new construction (Aziz, et, al, 2010). Some measures has been taken in order to give housing assistance to the needy especially to those lower income group and income below median whom were the recipient of social security payments to improve their housing affordability such as Projek Perumahan Rakyat Termiskin or PPRT. However, there were an increasing issues rising among middle income group whom were not included under the housing assistance provided by the government. They were left alone without assistance and they have to make hard choice either to live in or stay in a house affordable with their income but way too far from their office and they have to bear higher transportation cost or living in a house near town and pay higher rent or high housing price. Therefore, as the result they have to bear with 2 kind of difficulties here that involve high housing cost or high transportation cost. These spiralling housing issues especially happens in major cities has caused the unaffordability to own a house for middle income class group. Affordability problems can be viewed as operating at different

levels, ranging from narrower direct experience of severe problem of poverty and homelessness, through an intermediate level of risk, to a broader problem of access to market (Aziz, et, al, 2010). The best meaning of affordable housing would be well defined as housing that was intended to meet the need of those group of people who earned income that are not sufficient to allow them to access appropriate housing market without any assistance. A complete definition of affordability of housing for middle income group were made by DR Wan Nor Azriyati Wan Abd Aziz, et, al through their research saying that the housing with payment no greater than 33% of their gross household income. Finding an affordable house has been the current major concern especially those who live in most major cities or town in Malaysia where many of them are having difficulties are having trouble to buy a house. With new exploding centres such as new townships, commercial hubs, industrial parks and office complexes result in increased number in working population. And with that increase in population in major cities and town areas, the shortage of affordable housing is now becoming more acute. Continuous efforts also has been done to ensure that Malaysian of all income levels will have the opportunity to have access to adequate, quality, and affordable homes, particularly for the lower income group (Ninth Plan 2020, 2006-2010). However, those who are not included in low income group are having difficulties in having one just like we discover in the Kuala lumpur Structure Plan 2020 (CHKL, 2004) that does not include low medium/medium cost housing category in the projection of houses unit to be built by year 2020. Although we realize that government has undertaken many housing plan to help middle income household group, but, specific policies has not yet been clearly stated. Only a little assistance and focus is done to

attend the needs of middle income group. That is why those group were still facing their hard times searching for a house that suit with their household income here in Malaysia.

2. 4 Housing Prices

The housing price at several states in Malaysia has experienced a major expansion for the past seventeen year. According to Hashim (2010), the house pricing that keep on continuing to increase year by year are influenced by location, nation's income, cost of capital, stock prices and also the population change. As we grow in the era of globalization, the world has been changing so fast. As the population are increasing, the demand for an affordable price also increased. Since housing is the most basic necessity for people, its increase in price however, would directly give impacts towards the affordability of the nation at large especially in Malaysia nowadays which are in need of more suitable and affordable housing. Increasing housing price for the past few years are making it hard for them to own a house suitable with their household income. Generally, housing price is influenced by region given the geographic size and location of the state in Malaysia. Due to the differences in between each state's economic disparity, the house price and household income will extremely influenced the level of housing affordability. Aside from that, the need for affordable homes has increased significantly due to Selangor's rising population density, which is the highest in Malaysia. The state's population growth rate of 3. 17% surpasses the national average of 2. 17%. It has 5, 411, 324 of residents. If immigrants were added into account, their population might be almost seven million. This has become a challenge for the state to provide for the people's needs due to the vast

expansion of population, including housing, as they estimated about 1. 8 million houses are needed to meet the needs of the people as they approach 2020. According to Hashim (2010), Selangor which indicates among the most developed state in Malaysia have a high housing price as compared to other less developed states like Kelantan. According to him, at the national level, Selangor house price on average is 35% to 53% higher in between 1995 to 2006. Based on the study made in Selangor, the 480-sqaure feet studio apartment located in the outskirt of town which was located in Seri Kembangan, cost more than RM 230, 000 excluding other maintenance charges. This huge hike in price, even though only just a small house has affected local people, especially the middle income household which made up the majority of the population. With the huge cost of housing, many of the low and middle income are forced to purchase their house out-of-town since they are not afford to pay high price in the urban area. As a result, they have to bear other problems which they have to spend more on transportation such as fuel or public transportation cost because it was quite far from their workplace. The reason why the price are keep on increasing is because there is no limitation made by the government to control the housing price since they are only have the power to decide which location for them to build houses. The housing price is on the responsibility of the developer itself but depending on land price at that time. However, according to State Executive Councillor, Mr Iskandar Samad, they have trying to control the location where the developer wants to build affordable houses for the middle income group. This is how the state government trying to fight back for the particular income group because without the assistance, middle income

group will never afford to compete and purchase in buying their own affordable house.

2. 5 Insufficient Housing Allocations

Housing is one of the basic necessities as shelter for human and the government is enthusiastic in ensuring the public would have a better access towards a better and affordable housing provision. Generally, houses supplied by the private sector have been sufficient for the high-income group. However, the house allocations for the needy group of middle income are still insufficient to meet the high demand of the ever growing population. The insufficient in allocation for this particular group would be caused by 2 factors, which are the issue of land provision by government and the refusal for the developer to build affordable house in the centre of the city (Free Malaysia Today, 2011). The government has all time, put the highest priority to give benefits to the public in which to build in mixed development, rather than building affordable house for them in the outskirts of town. However, with the inadequate land allocated for the housing to build by the developer, the need to build more houses for the middle income cannot be made into reality. There is not enough land left to build affordable house in the cities. This is because, according to the building laws, the state only has the powers to compel a developer to build low-cost and medium-cost housing if the plot of land earmarked for development measures 10 acres or more (Free Malaysia Today, 2011). According to the law, developers will have to allocate 20 % for low cost housing, another 20 % for low to medium, 10 % for medium housing and the other 50 % for others. However, affordable housing is still being built outside town due to the inadequate and

unavailability of land bigger than 10 acres there. According to Jabatan Perumahan Negara (2011), with five acres of land in the city, building low or medium-cost housing would mean a loss for developers and in turn purchasers will suffer because contractors will be told to use substandard materials to cut costs. If they were to follow what the government suggest, which is by selling house at a lower and affordable rate but with high cost in constructing it, developers will end up making losses and stop building house in the cities. With this major issue, the state also worried that developer might end up using cheaper materials and probably hiring unskilful worker to prevent them from making losses. Thus, the housing construction does not meeting the accurate requirement made by the government and public would be suffered from buying a house with no quality and they would have to buy or lease house far from their workplace. Thus, these insufficient allocations of affordable housing for middle income household in the cities can be considered as a major issues nowadays and have to be solved by government to uphold and to assist this group to have better access to a spacious, comfortable, yet affordable housing according to their income level.

CHAPTER 3
RESEARCH METHOD
3. 0 Introduction

In this part of research method, it consist of a report that explains all the procedures followed in the process of gathering data necessary for the analysis to meet our research objectives. Besides that, research method also

tells the researcher how the study was carried out and also determines the outcomes of the study.

3. 1 Research Design.

Our study was gather information that done to examine the problem faced by the middle income group to own a house in Shah Alam. The best approach to gather data directly for this study is by selecting randomly people especially the household lives in the busy city of Shah Alam. In this research, the questionnaires have been used in gathering the data related. We have decided to distribute the questionnaires to our respondents personally in our research since it helps and enable us to get more reliable and accurate information. The purpose of this study is hypothesis testing. We want determine what is the reason or problem of difficulty faced by middle income group to own a house in Shah Alam. Other than that, we also use and add-on secondary data in our research to make it more complete in order to gather information such as journal, internet source and newspaper article.

3. 2 Unit of Analysis

As this study wanted to identify the reason or problem of difficulty faced by middle income group to own a house in Shah Alam, thus, Unit of analysis refers to the respondent of this study. In the research, the unit of analysis consists of those people lives in Shah Alam and among working people. In our research area, we will aim for target respondents at Shah Alam especially in Seksyen 2 and 7.

3. 3 Sample Size

Sample size is defined as the number of elements to be included in the study (Malhotra, 1999). In determining the sample size for our study, we have calculated the number of observation by referring to table formulated by Sudman (1970). Given the whole population, the suggested sample size was approximately 150. However the actual sample that was collected ended up with amounted to only 100 usable responses. Thus, the sample size of our research study is 100 amounted to persons. The reason why we did this by choosing only 100 respondents is because the end result will be more accurate, easy to monitor and to make it easier for researcher to do their job. In this research, we distributed 100 questionnaires to the household in Shah Alam area randomly especially in Seksyen 2 and Seksyen 7. These 100 respondents had represented the household to answer the question from the researcher. We, as the researcher are going to distribute the questionnaires at the area of our target group which is in Shah Alam.

3. 4 Sampling Techniques.

Sampling refers to the process of selecting a sufficient number of elements from the population. Therefore, a study of the sample and understanding of its properties of characteristics is done and would make it possible for researchers to generalize such characteristics to the population elements (Sekaran, 2004).

Then, after we successfully get to identify the target population, the appropriate sampling will be selected. The sampling technique that we, as the researchers will use in this research is called convenience sampling technique. Convenience sampling is a non-probability sampling technique

where subjects are selected because of their convenient accessibility and proximity to the researcher. Convenience sampling was used when true random sampling is essential. This is where the researcher approach and ask questions to anyone who is available. This method is quick and cheap. The convenience sampling is also known as unrestricted probability sampling which refers to anyone and equal chance of being selected as a subject.

We have already decided to distribute 100 questionnaires to the household lives in Shah Alam especially those who lives in Seksyen 2 and Seksyen 7. In the forms of research, it would be ideal to test the entire population, but in this case, the population is too large to include every individual. This is the reason why we rely on sampling technique like convenience sampling, the most common of all technique.

3. 5 Measurement / Instrumentation

The research instrument that was used in this study for the primary data is done by using questionnaire. The questionnaire was written in both languages which are English and Bahasa Malaysia and was used in order to get the related data regarding the problem faced by middle income group to own a house in Shah Alam. The questionnaire has been given to the selected respondent and they answered the questionnaire personally. The questions were divided into five sections which are Section A: Respondent Profile, Section B: categorization of middle income group, Section C: household preferences, Section D: existing house, Section E: problem of difficulty to own a house, and the last section is Section F: affordability issues. The rationale in designing these questions was to explore views and perceptions

of middle income group households towards current affordability and to determine the accessibility of the group to affordable housing.

Table 3. 1: Measurement / Instrumentation

No

Objectives

Concepts/construct

Measurement

1

To determine the significance relationship between house price and household affordability.

Employee performance is the job related activities expected of a worker and how well those activities were executed (businessdictionary, 2012).

Likert Scale

1-Strongly Disagree

2-Disagree

3-Neutral

4- Agree

5-Strongly Agree

2

To determine the significance relationship between housing allocation and household affordability.

Counter layout is an arrangement or a plan, especially the schematic arrangement of parts or areas. (fredictionary, 2012).

Likert Scale

1-Strongly Disagree

2-Disagree

3-Neutral

4- Agree

5-Strongly Agree

3

To determine the significance relationship between attitude of household buyer and household affordability.

Services quality can be defined as the consumers' judgment about an entity's overall excellent or superiority (Zeithaml, 1987, Garvin, 1983 & Hjorth – Anderson, 1994) define services quality as a form of attitude, related but not equivalent to satisfaction, and results from a comparison of expectations with perceptions of performance.

Likert Scale

1-Strongly Disagree

2-Disagree

3-Neutral

4- Agree

5-Strongly Agree

4.

To determine the significance relationship between house location buyer and household affordability.

Services quality can be defined as the consumers' judgment about an entity's overall excellent or superiority (Zeithaml, 1987, Garvin, 1983 & Hjorth – Anderson, 1994) define services quality as a form of attitude, related but not equivalent to satisfaction, and results from a comparison of expectations with perceptions of performance.

Likert Scale

1-Strongly Disagree

2-Disagree

3-Neutral

4- Agree

5-Strongly Agree

5.

To determine the significance relationship between household income and household affordability.

Services quality can be defined as the consumers' judgment about an entity's overall excellent or superiority (Zeithaml, 1987, Garvin, 1983 & Hjorth – Anderson, 1994) define services quality as a form of attitude, related but not equivalent to satisfaction, and results from a comparison of expectations with perceptions of performance.

Likert Scale

1-Strongly Disagree

2-Disagree

3-Neutral

4- Agree

5-Strongly Agree

6.

To determine the most significant problems that contributes to the level of household affordability towards household lives in Shah Alam.

Customer satisfaction can be defined as a state of mind in which the customer's needs, wants, and expectations throughout the product of

service life haven been met or exceeded, resulting in future repurchase and loyalty (Anton, 1996).

Likert Scale

1-Strongly Disagree

2-Disagree

3-Neutral

4- Agree

5-Strongly Agree

3. 6 Data Collection

In this study, there are numerous and varieties source of data that can help in gathering suitable information. Some of these methods depend on the methodology and the theoretical assumptions used inthe research. There a trend for researcher to collect hard objective numbers for example primary data and secondary data.

3. 6. 1 Primary Data

Primary data are data gathered and assembled specially for the research project hand. Usually primary data was collected by the researcher. The method that will be used under primary data is questionnare. This data is collected when secondary data is not sufficient and depends largely on the research objectives and varies from one problem to another. For this study,

the primary data will be obtained through qustionnaires given to the target respondents.

A questionnaire will distribute to the respondents such as the household lives in Shah Alam, Selangor. After they have answered the entire question, it will be collected and the data will go through several process. The data that have been collected will be sorted, coded, entry, testing, presenting and lastly the data will be analyzed. The data for this survey can be use as information in making research.

A part from that, we also will be doing direct interview with the person related and have a major knowledge in the housing arena to get more reliable knowledge regarding affordability of housing in Shah Alam.

3. 6. 2 Secondary Data

Secondary data or historical data are data previously collected and assembled for some project other than one at hand. Its gathered and recorded by someone else prior to the current needs of the researcher. Its quickly and cheaply. The method that we used under secondary data was article and journal. The information that gathered from these resources which can be online searching such as Official website of Kementerian Perumahan & Kerajaan Tempatan, New Straits Times, The Malay Mail, Berita Harian, Utusan Malaysia and so on. It helps the reserachers to get information and data while doing this study. Another type is from online searching through internet that will provide a lots of information from journals, annual reports, thesis, previous reseacrh and etc. It is more economical and simple for the researcher to conduct her research.

3. 7 Data analysis

For this study, we used Statistical Package for Social Science (SPSS) 16. 0 version software to analyze data. SPSS is a computer program used for statistical analysis. Most of the researcher use SPSS software as a tool to analyze the data. In this research report, the researcher transform the raw data that we obtained from the questionaire into SPSS. Then, the researcher proceed to discuss the result of the analysis and interpretation. For this study, methods used are reliability analysis, descriptive analysis, Pearson correlation analysis and multiple linear regression analysis.

Reli