

Factors that made possible to own a house by the low-income group in Malaysia

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ABSTRACT

House ownership is important for all levels of the housing market whether it is a high, medium or low-cost housing development. Apart from the lifestyle and living standard of a society, this is to ensure that every income earner has a decent shelter. This paper seeks to compare the affordability of house ownership within the 5-year period from 2007 until 2012. The category of low-income earners is chosen as case study. The result shows that in 2012 this group has the ability to afford low-cost house compared to when they were in 2007. Among the factors that influence the affordability is the increase in income, education aid and contribution from the ruling government.

Keywords: house affordability; house ownership; low-cost house typology; low income group

INTRODUCTION

According to [1] basically the housing market is also an economic market tied to the political framework of a country, and so the housing market can be defined as an institution with procedures for a limited budget source to meet supply and demand. The mechanism that link demand and supply is an exchange process happening in the market, that is housing stock to household. The factors that made this exchange process to happen are due to economic growth, policy change, demand prediction, income increase, finance facilities and changes in demography.

The aim of the National Housing Policy is to provide enough supply, quality and within the reach of the public from all levels of society especially the low-income earners. To achieve this objective, the government formulates policies, acts and set up specific framework such as;

- i. Regulations and guidelines for the housing industry [2]
- ii. Housing Developers' Acts (Control and Licensing) 1966, 1988 and 1989
- iii. 30% budget quota for bumiputra
- iv. Housing Developer's Account 1990
- v. The setting up of committees and relevant Local Authorities and also
- vi. in 1994 the setting up of the Construction Industry Development Board (CIDB).

The Ministry of Housing and Local Authority (MHLA) is the responsible ministry to implement the government policies especially the development of the low- and medium-cost houses. This is to ensure the low- and medium-income earners are given the opportunity for house ownership.

REKABENTUK RUMAH MESRA RAKYAT 1 MALAYSIA**Rekabentuk No. 1****Rekabentuk No. 2****Rekabentuk No. 3****Rekabentuk No. 4****Rekabentuk No. 5****Rekabentuk No. 6****Rekabentuk No. 7****Rekabentuk No. 8****Figure 1: An Example of RMR1M IBS House****2 HOUSE OWNERSHIP IN MALAYSIA**

Many researches have proven that the low-cost group can afford to own a house either by buying or leasing. Among the research done, [3] researched into the ownership affordability of low-cost house in Kuala Lumpur. It was identified six factors that influenced affordability of this particular group, namely, household income, household expenditure, type of employment, education level, working members of the household and amount of house monthly payment. While only one variable that does not influence affordability of this group in Kuala Lumpur is 'children'.

[4] researched into the tenant's affordability among the high-, medium and low-income groups. [5] surveyed tenants' affordability of Housing Association in England, [6] surveyed tenant's affordability in public housing in Hong Kong and [7] surveyed tenant's affordability in private housing in Hong Kong. [8] researched into tenant's affordability in Switzerland and found to be the only country with the biggest number of tenants. [9] studied housing

affordability on low-cost housing by tenants from local authorities and private tenants. He discovered that no one could afford to own a house due high cost of houses.

Based on the above, it became clear that several studies were carried out regarding affordability of owning a house and was found that the low-income earners can afford to own a house offered to them. Following from this, a new program was introduced by the government to ensure that the low-income earners can afford a more comfortable house from redesigning housing typologies to suit current trends of living. A program known as the Rumah Mesra Rakyat 1 Malaysia (RMR1M) translated as '*1 Malaysia Public-Friendly House*', was introduced by the Malaysian Prime Minister in February 2012.

To qualify for application one must be a Malaysian citizen, age group from 18 to 65. Applicants above 35 years must name a beneficiary of less than 35 years old. Apart from that, applicants who are married or a single parent who has dependents are qualified to apply. Other qualification required is that the total monthly household income must reach a maximum of RM3,000.00, have not own a house yet or a house that is already delapidated.

The Syarikat Perumahan Negara Berhad (SPNB) (*National Housing Company Limited*) will build 10000 units of RMR1M houses in 2012 using the Industrialised Building System (IBS) technology as shown in Figure 1. The floor area of this RMR1M is much bigger (1000 square feet) without additional cost to the applicant. Using the IBS technology is a durable, economic and innovative method and the time of construction is only 14 days as compared to 70 days with the conventional method. The construction of the RMR1M house provides a three-bedroom and two bathrooms and following other local authority specifications as well as the Uniform Building Bye-Laws of Malaysia.

There are eight RMR1M house typologies offered via this program as shown in Figure 1. Every buyer was given several types to choose from to suit their individual's preferences.

3 COMPARISON OF AFFORDABILITY IN HOUSE OWNERSHIP

The six factors that influence the house ownership affordability was stated in earlier paragraphs. Table 1 shows in 2007 even though the low-income earners are working in a clerical line with education level upgraded to the level of secondary school, with only the husband who is working, it was found that in 2012 this group can afford to own a house. This is because of the total household income factor from RM900.00 to RM1100.00 when household expenditure is less than RM1100.00. this group can still afford with monthly payment of RM150.00.

Table 1: Comparison of six factors of house ownership for the year 2007-2012

Factor	2007	2012
Household Income	< RM750	RM900-RM1,100.00
Household Expenditure	< RM750	< RM1,100.00
Employment types	Clerical, Service industry, Business, Operators.	Clerical, Service industry, Business, Operators.
Educational level	Primary School	Secondary
Household breadwinner	Husband only	Husband only
Total household monthly payment	RM124.00	RM150.00

The condition shows that the subsidy and the government aid really helps to reduce the daily livelihood burden. This can be understood by referring to Table 2 that showed that the government's subsidy in 2007 was only RM10,000.00 whereby in 2012 this subsidy was increased to RM20000.00.

Table 2: House ownership affordability comparison in 2007 – 2012

Factors	2007	2012
House price	RM52,000.00	RM65,000.00
Buyer pays	RM42,000.00	RM45,000.00
Government's subsidy	RM10,000.00	RM20,000.00
Monthly payment	RM124.00	RM150.00
Period (years)	25	25
Interest rate	9%	0%
Design	Conventional	'Industrialised Building System' (IBS)
Number of rooms	3	3

With this subsidy, owing a house would not be a problem anymore for those in the lower income group, especially in Malaysia. With an increase monthly payment of only RM26.00, the period of payment unchanged and with interest rate abolished, made it much easier for this group to accept readily the RMR1M program. The government's

sensitivity to fix the house price at RM65,000.00 and using the IBS system reflects that the healthy living standards for this group is always being taken into consideration in changing times.

This means that house affordability in 2012 comes from increase income, government education aid and government special contribution for those earning not more than RM3,000.00 a month. As for increase income commencing from January 2012, as much as 7% - 13% and fixed minimum wage for private sector as much as RM900.00 a month seemed to be the main factor that contributed to the lower-income to readily own a house.

The second factor is the government's education aid of RM100.00 for school children (primary and secondary) and students of both public and private Institutes of Higher Learning, a book buying voucher worth RM200.00 to every students and commencing September 2012, a 1 Malaysia Graduate Discount Card (Kad Diskaun Siswa 1 Malaysia (KDS1M)) is given to all students. This assistance do really help to reduce the expenditure burden of the school kids of the low-income earners. With this KDS1M, as many as 1.5 million students of all Institute of Higher Learning, both private and public, will benefit in helping out of their daily expenses during their study period. The KDS1M offers discounts of 5% to 60% for the purchase of 31 companies and 14 cooperatives that participate in this program. Among the participating business sectors are in books, writing equipment, clothes, food & beverages, IT products, accommodation and health.

Apart from that, the government also gives special contribution of RM500.00 to household earning power of not more than RM3,000.00 per month. This also happens to be one of the factors that influence the purchasing power of the lower-income group in 2012. It now seemed that with these three factors, affording a comfortable house has become possible in 2012.

RESULTS AND DISCUSSION

Based on the above description clearly shows that the ability of home ownership for a period of 5 years from the year 2007 to the year 2012 is more affordable for low-income earners to own a low-cost houses. The factors that influence the ability of low-income groups has a low cost home are improvement of factor income, educational assistance from the government and the special contribution of the government to a household whose income does not exceed RM3,000.00 per month. This shows the responsibility of government to ensure that low-income group enjoyed tranquility and comfort as middle income and high income groups, especially in Malaysia.

However, if low-income earners no have any increase in income as those offered by the government by 7 percent to 13 percent and by the private sector RM900, with income of low-income are less than RM750 of course in 2012 they are no longer afford to own their own house offered by RMR1M. This is because through this program, low-income earners must pay a monthly fee of RM150 housing compared with only RM124 in year 2007. Although the payment only increased of RM26 per month, lower income groups may not be able to pay it. This situation shows that, income factors influenced the ability of low-income groups to own a house. With high income, the ability to pay their monthly payments of a house will be more secure.

Accordingly, if educational assistance from the government such as allocation of money of RM100 for each primary and secondary school students, RM200 book voucher for each university students, KDS1M by 5 percent to 60 percent is not enjoyed by low-income groups, surely the low income group in 2012 is not able to own their own house. This is because with the increase in monthly house payment of RM26 and the rising cost of living, especially in big cities giving burden to the low income groups to cover the expenses of their children's education at primary, secondary or tertiary level.

On the other hand, with the aid of education provided by the government has created an opportunity for the children of low-income groups to continue their studies at a higher level. As in the study of [3] showed that 40.1 percent of low-income groups in Kuala Lumpur which educated only at the primary level. So, with education assistance from the government has provided more opportunities for low-income groups to learn in better levels. Increased levels of education will better be able to change the status and the status of their lives better than in 2007. With the increasing levels of education, low income groups certainly can change their occupation in accordance with their educational qualifications. Thus, low-income groups can earn a higher income to ensure the ability of low-income groups to have low-cost houses in Malaysia.

In addition, if the low-income groups do not enjoy the special contribution of RM500 of course they are not able to shop for daily necessities comfortably. They only they can do are spending within their normal rate in accordance with their low monthly income. Based on the Report on the Census of Population and Housing Malaysia 2010 [10]

Malaysia has a total of 28.3 million people, with 8.9 percent of low-income groups. This group of people should be assisted by the government to ensure that they enjoy their life more comfortable and harmonious.

A RMRIM program it appears that there is a land in the residential neighborhood. This land area can be utilized by low-income groups to cultivate various types of vegetables and fruits. From this farming activity they can be used for the daily needs of course to save their daily expenses. They no longer have to buy them at the market or in the store. Instead, they can take the vegetables and fruits at any time they are needed. If there are excessive of vegetables and fruits, they also can be sold at the market or in the store. It also can increase the household's daily income of low-income groups. Indirectly, the wife sitting at home can generate revenue and help regulate household expenses.

In conclusion, all the assistance given by the government helped the low income groups to afford low cost housing in 2012. In addition, the educational level of the family also can be changed to a better level that can guarantee the low income groups to get better jobs. As mention by [11] that even high income groups also interested to have low cost house for their investment purpose because the design is much better than low cost house design before. With the availability of low-cost housing through RMRIM program provides an opportunity to cultivate a particular wife once daily can reduce household expenses and to generate family's income. With all these factors and descriptions clear that low-income groups still enjoy being comfortable and harmonious living in low-cost housing in Malaysia.

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