

CHAPTER ONE

1. BACK GROUND TO THE STUDY

1.1 Introduction

The demand for the residential premises will undergo major growth in the years to come. The current rate of housing production by the organised sector of both the public and private developers is about 110,000 unit per year (Sixth Malaysia Plan) which is very much higher compared to those prevailing during the previous Malaysian five-year plans periods. This rate is expected to rise to higher levels by the turn of this country especially in the wake of rapid industrialization and urbanization.

Under the Seventh Malaysia Plan (RM7), the country needs a total of 800,000 units to house the increasing number of nuclear families as well as to replace the dilapidated or destroyed units. About 740,000 units or 92.5 per cent will be built to meet the demand of new households while the remaining 60,000 unit will be for replacement houses. The housing programme will continue to give priority to the development of low cost house priced at RM25,000 to cater those earning between RM500 to RM750 per month. Emphasis also will be given to the low medium cost house costing between RM26,000 to RM60,000 for income groups

ranging from RM751 to RM1500 . This is to ensure that the low and lower middle income groups have access to adequate and affordable houses and related facilities.

To facilitate the provision of such houses, the emphasis is based on the human settlement and through a more efficient delivery system. Under this concept communities will not only have access to decent, adequate and affordable housing but also be provided with social services and amenities necessary for the attainment of a better quality of life. Apart from being an important socio-economic activity housing development will be reinforced as a means of attaining national integrity and unity.

The success of housing industry during the Sixth Malaysia Plan (RM6) period does not mean that it was successful all the way. The industry has been beset with many problems. Some of which are easily resolve, while others are complex and complicated. The issue on housing industry is wide- ranging and involve many aspects.

1.2 Rising Prices of Houses

The housing industry is facing the phenomenon of an ever rising prices. The main cause of the incident of high housing prices can be due to strong demands and an unresponsive supply system. The factors that contribute to the unresponsive supply system are:

- 1.2.1 The land use and infrastructure standard required by the local authority is rather high. For instance 25% of the land developed for residential purposes is used for public utilities namely the road areas, set back requirement (reserve land for public work's future expansion) and community facilities (Ministry of Housing & Local Government).
- 1.2.2 The processes and procedures for housing project approval take considerable time.
- 1.2.3 The great demand from civil servants who have cheap loan facilities.

1.3 Loan Facilities

A lending guidelines for two-year period were issued to the commercial banks on March 30 ,1992 to ensure the priority sectors of the economy continue to have access to institutional credit. Upon the expiry date, there was only 69.4% of the commitment

value extended to the housing loan and 15 commercial banks did not comply with their respective housing loans quotas (Bank Negara Annual Report 1994).

Looking at this scenario, failure to comply to the government's request by the bank, due probably to unqualified loan applicants or probably due to the insufficient houses costing RM100,000 and below which limit the demand for the loan or probably due to not enough promotion from the bank for the facilities available.

For the government employee, the extension of the housing loan to them is limited according to their respective categories. Even though the interest rate charged is low but with the limited amount approved, they sometimes found it impossible to buy a 'reasonable' house for their family. This seems to be more difficult when they are neither in the low income category nor the lower middle income group which qualified them to buy a house priced at RM60,000 and below.

1.4 Objective Of The Study

There have been some studies carried out especially in United State. In Malaysia however most of the studies carried out were mainly to find a formula to solve shelter problem for the poor.

While concentrating on providing adequate housing for the poor, there are at present hundreds of thousands of Malaysian families are still waiting to get a home to call their own. At the same time there are a few million^{Ringgit} of abandoned housing projects, causing home buyers' dreams and their hard earned saving to vanish. For those who are already purchased a house sometimes find the pricing is beyond their means. However somehow, they prefer to have their own.

The main objective of this paper is to identify the factors that contribute to the financial burden of house buyers, which have an impact on houseownership.

1.5 Significance of the Study

This study would be useful to the government, financial institutions and housing developers.