

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Government Control

Buying a house is probably the largest investment that most individuals make. Thus, by paying in advance (10% of house's cost such as deposit) based only on the plan drawn up by the developer, the buyer is taking a risk that the house may not be completed at all; or it may not be built to specifications agreed to in the Sales and Purchase Agreement. Many house-buyers have discovered too late, how risky it can be.

Based on the findings of this study, it is obvious that people demand adequate control over the housing industry by authorities in order to avoid malpractices.

5.2 Employees Provident Fund (EPF)

The financial burden of house buyers is lessened by the involvement of EPF as a source of financing. The more important thing to note is, if EPF raises the contribution rate and at the same time allow the subscriber to withdraw at reasonable proportion from the saving for buying house purposes, the result will put

individual in a better financial position to purchase their own houses.

Although the very high compulsory savings rates may have some side-effects on economic growth, the mechanism as a whole has made sufficient housing consumption and wide spread homeownership possible. This method has been proven successful in Singapore when the government regards Central Provident Fund (CPF) as the means to increase capability for home financing. The act was amended a few times just to make the way to employees to purchase a house of their own.

5.3 Prices of Houses

The high cost of construction and maintenance of housing units is often cited as another reason why the market fails to provide sufficient housing services at affordable prices especially to the poor. Firms in the building industry, owing to their smallness, allegedly fail to accumulate sufficient resources for research and development and thus are unable to develop cost-saving technology in housing construction.

This issue could be solved by a concerted effort undertaken by the several parties involved in the industry such as joint-ventures and

consortiums among developers. From the Government side, the tax incentive to the companies would probably encourage them to have greater involvement in overcoming the problem.

Another aspect that caused most houses to be highly priced especially in the Kuala Lumpur and Petaling Jaya area, was due to the limited supply of land. Therefore, to keep going on building a house for people there should be more strata (high rise) units built. Even though the preference of the respondents towards high rise building was only at 17.3 %, they must realise this resource limitation.

5.4 Interest Rate

The adoption of new formula by financial institutions from November, 1, 1995 for the computation of the base lending rate (BLR) had resulted in the increase in the cost of borrowing. Housing loans became expensive and less attractive Malaysian buyer. This strategy, however, is appropriate if it is to curb speculation in the property market.

In order to ensure that financing for housing would reach deserving house buyers from the poor and middle income groups, some of the eligibility criteria for housing loans should be revised. The

following are the criteria that have been used by financial institutions:

- 5.4.1 The loan had to be for a house buyer purchasing or constructing the first house and owner-occupied.
- 5.4.2 A married couple was eligible for only one housing loan at the prescribed interest rate.
- 5.4.3 The applicant's monthly income (or combined income if married) should not exceed RM2,800 for the purchase or construction of a house costing RM100,000 or less.
- 5.4.4 Financial institutions had the discretion to extend a loan at the prescribed interest rate to an applicant (or his/her spouse) who was also eligible for the housing loan under a "Staff Employment Scheme of Service" provided by his/her employer.

Besides the above-mentioned steps, it is still better if the Government can put the ceiling for the interest rate like what had been implemented before. This is to prevent the misuse of the "prescribed rate" granted to the financial institutions. By having the ceiling, there will be some uniformity in charging the borrowers.

For the government servant, it is time that the government should increase loan eligibility just to match with the price of house in the present market.

5.5 Limitation of the study

Due to the time constraint, the sample for the primary data was small. Most of the returned questionnaires had to be ignored because of incomplete and insufficient answers. Respondents were found to be quite reluctant to answer the financial section of the questionnaire especially relating to the monthly payment, interest factor and amount of loan taken.

The result would be better if the sample have been distributed to a wider area in the Kuala Lumpur and Petaling Jaya

5.6 Recommendation for Further Study

To obtain a better picture of the financial burden of house buyers further studies could be extended to cover the impact of the EPF contribution rates on home-ownership.

Finally, this study could be replicated with a larger sample and cover a more diverse area in this country so as to have a more generalizable finding.