ANALYSIS OF HOUSING FINANCE POLICIES FOR LOW-INCOME COMMUNITY IN WEST BANDUNG, WEST JAVA PROVINCE, INDONESIA

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Abstract

**Purpose of the study:** The research aims to analyze the financing of housing construction in West Bandung, West Java Province, Indonesia.

**Methodology:** The research method used a qualitative approach. Primary data obtained through interview, while secondary data through literature study. The validity of the data obtained from the informants is tested through the triangulation technique. The data analysis technique is done by doing description and analysis of the object under study.

**Results:** The results show that housing finance policy in West Bandung through advance assistance, interest subsidy, housing financing liquidity facility (FLPP in Indonesia) and direct assistance. Advance payment policies, interest subsidies and FLPP are channeled through banks targeting low-income, bankable communities. The non-bankable community is assisted through the Self-Help Housing Stimulant Stimulation Program from the central government, the Unfit Home Program from the provincial and district governments.

**Applications of this study:** This research can be used for the universities, teachers, and students.

**Keywords:** financing policy, low-income community, West Bandung.

INTRODUCTION

Currently, housing demand in Indonesia is increasing in line with the rapidly growing population. However, these needs cannot be matched by the provision of adequate housing. Unbalanced housing needs and provision of houses resulted in a large backlog (Pakpahan 2015). The higher number of backlogs reaches 13.5 million by 2015, demanding that the government should be present in addressing these issues.

Housing problems are getting serious and critical (Lisnawati 2015) due to the imbalance of demand and supply and inflation occurring every year and the cost of inefficient housing construction caused higher house prices (Massyn et al. 2015; Suryanto, and Rusli 2017; Matandare, 2018). The high price of the house has an impact on the limitations of the community in order to have a home, especially for the low-income community (MBR in Indonesia) who are financially limited. They face difficulties because of the low purchasing power and/or limited access to the housing finance system (Bakhshandeh et al, 2015; Carreto et al, 2018).

It is appropriate that every Indonesian citizen is entitled to the right to live and to have a healthy and comfortable dwelling, as has been mandated in the 1945 Constitution article 28 H paragraph (1) stating that everyone has the right to live a safe and spiritual life, to live, and get a good and healthy living environment. Then in Law No. 39 of 1999 on Human Rights, article 40, which states that everyone has the right to live and live a decent life.

In the case of providing housing for MBR, it has been regulated in Law No. 1 of 2011 on Housing and Settlement Area, namely.

1. Article 1 number (10) public houses are houses that are held to meet the needs of homes for low-income people.
2. Article 1 number (24) Low Income Society hereinafter abbreviated as MBR is the society that has limited purchasing power so that needs to get government support to get home.
3. Article 54 paragraph (1) the government is required to meet the needs of the house for MBR.
4. Article 54 paragraph (2) to fulfill MBR’s home requirement as referred to in paragraph (1), the Government and / or Local Government shall provide the ease of development and the acquisition of houses through a gradual and sustainable housing development planning program.
5. Article 54 paragraph (3) ease and/or development assistance and the acquisition of houses for MBR as referred to in paragraph (2) may be in the form of subsidy for housing acquisition; Self-help house stimulants; Tax incentives in accordance with the provisions of the legislation in the field of taxation; Licensing; Insurance and guarantee; Provision of land; Land certification; And / or public utilities, facilities and utilities.
Actually, so far the central government has implemented several housing financing mechanisms for MBR, including Housing Savings (Teperum) ([Juniarko, Surjono, and Anwar 2012]), Mortgage loans (KPR in Indonesia), JAMSOSTEK, Housing Financing Liquidity Facility (FLPP in Indonesia) and others. These programs are not yet fully reach the entire MBR layer. Generally, MBR who work and earn relatively fixed that can enjoy the facility. In fact, generally more MBR work in the informal sector with uncertain income.

West Bandung as one of the areas that always get a housing finance program from the central government was still not able to overcome the problem of backlog housing. Yet through the Decree of West Bandung Regent, local government has made policy in the form of social assistance to the public for stimulant repair home unfit for habitation and/or construction of new homes (Avazzadeh, 2015).

West Bandung Regional Government as an autonomous region and also the central government certainly cannot complete the backlog of the housing alone. It takes an active role of all stakeholders in the field of housing to complete the backlog, among other developers to increase the construction of homes at affordable prices as well as the community itself to build a house habitable by self-help. Local governments are also expected to be active in terms of subsidizing the acquisition of houses, simplifying licensing policies, provision of land and spatial planning, and encouraging developers to build low-cost housing and comply with regulations on balanced residential development patterns. Do not let the developers just to build a luxury house, but they also have to pay attention MBR by building a simple house where the low-income people can afford it (Metsämuuronen, 2018; Nuriyev et al, 2018).

LITERATURE REVIEW

Financing Policy

The policy is the direction of action that has a goal set by a person or several people in addressing a problem or issue ([Winarno 2014]). The policy will have benefits once there is policy implementation. Policy implementation is a process that involves a number of sources including humans, funds, organizational capabilities undertaken by government or private (individuals or groups) ([Widodo 2010]). While the implementation of policies is a complex phenomenon that is understood as a process, an output and an impact (outcome).

Success in policy implementation is influenced by several aspects, including consideration of policymakers, commitment, and consistency of policy implementers, and target behavior (Suharto 2008). Policy implementation involves a number of actors, organizations, and control techniques. To implement the policy can be directly in the form of a program or through the formulation of derivative policies of the policy ([Nugroho 2011]).

Financing implies the provision of facilities to provide funds to meet the needs of parties that are the unit deficit. Housing finance policies undertaken by the local governments are different from banks. Financing by the local government as mandated by Law No. 1 the year 2011 may be: (1). a subsidy for the acquisition of houses; (2). Self-help house stimulants; (3). Tax incentives in accordance with the provisions of the legislation in the field of taxation; (4). Licensing; (5). Insurance and guarantee; (6). Provision of land; (7). Land certification; and (8). Public utilities, facilities, and utilities.

While financing is done through bank banking products known as KPR. People who want to own a home but do not have the ability to make payments in cash can make payments in installments or more known through credit with a certain period. Through payments on credit or installments more affordable if the community. With the increasing needs of the house has made the banks very serious work on and make the bank's products.

However, in general, financing support by banking institutions in lending to consumers or prospective customers or prospective borrowers should be done through the process of credit proposal analysis. Principles of financing analysis for credit are the guidelines to be considered by bank finance officers at the time of financing analysis. The analysis used in banking is the analysis of 5 C (The Five C's of credit analysis), namely character, capacity, capital, collateral, and condition of the economy. The bank may conduct the loan application of the prospective debtor's analysis if the requirements set by the bank have been fulfilled.

Housing financing policy for MBR besides waiting for the MBR itself is also awaited by the banking sector. During this time the banks cannot provide housing finance for MBR because it collided on the results of their feasibility analysis belonging to non-bankable society, the non-bankable community generally works on informal sector with uncertain income and have very little access related to financing of decent housing. Banks will be able to provide mortgages for non-bankable communities if the government provides a special policy as a guarantee for banks in providing credit.

Housing Development for MBR

The house has a different meaning for housing. Home is one type of space where human activity, should be viewed from all sides of the factors that influence it and of the many factors, which became central is human. In other words, the conception of
The house should refer to the ultimate human goal inhabiting it with all its values and norms. The house is one of the most important needs in human life, especially in the household. While housing according to Law Number 11 Year 2011 is a collection of houses as part of the settlement, urban and rural, equipped with infrastructure, facilities, and public utilities as a result of efforts to fulfill a decent home.

The home will determine the quality of one's life. The provision of houses for community members, especially MBR, requires the participation of local governments as policymakers. Based on Law Number 11 Year 2011 on Housing and Settlement Area, MBR is a society with limited purchasing power so it is necessary to get government support to obtain housing. Subsequently in article 126, the government and regional governments provide facilities and / or financing assistance for the construction and acquisition of public houses and self-help houses for MBR.

There are 3 (three) MBR segments based on the ability to access homeownership, namely:

1. MBR who already own land or house but cannot afford building/repairing his house;
2. MBR is able to buy a house but the ability to repay the mortgage is still low; and
3. MBR cannot afford to buy a house at all.

Broadly speaking, the procurement of urban housing for MBR is heavily influenced by (1) policy aspects, such as government policymaking, laws, regulations, institutions and government programs in housing and (2) aspects of implementers or activities of a nature micro, such as implementing organizations, funds, procurement of mature land or plots ready to build and the implementation of housing construction. The government can encourage housing developers to build housing for the people by way of rent-purchase (Suparwoko 2013).

Research Method

This research is the result of a descriptive study using qualitative analysis approach. Sources of data were obtained from the primary data through interviews, while secondary data were obtained through literature studies, either through articles in journals, annual reports, online data sources, and newspapers. Primary data obtained through interviews with the housing section in West Bandung, the banking community, housing developers and beneficiaries.

The validity of the data obtained from the informants is tested through the triangulation technique.

The data analysis technique is done by doing a description of the object under study along with the analysis. Descriptive data analysis, intended as an attempt to explain the parts of the whole data through clarification and categorization, so that can arrange a series of more systematic description.

RESULTS AND DISCUSSION

Implementation of Housing Development Policy for MBR

Home for the community is a very primary need as a means to live in peace. However, to have a home today is considered very difficult because the price of homes that are getting expensive, while the purchasing power of the community is increasingly reduced. The existence of such problems resulted in a larger backlog of home provision.

Central and local governments each year seek to reduce the backlog with various programs. The central government through the Ministry of Public Works and People's Housing since 2015 only reduced the backlog per year to only one million homes. The one million housing program undertaken by the central government is for 60.35% for those with MBR and 39.65% for non-MBRs.

Backlog home occurred due to several problems, among others:

1. The imbalance between supply and demand;
2. The limited capacity of developers not yet supported by incentive regulation;
3. The low affordability of purchasing power, especially low-income people;
4. Housing development, particularly in urban areas, is constrained by land acquisition processes; and
5. The role of central and local governments as enablers is still weak

These problems occur because of the implementation of the policy on the housing finance sector from both government and private sector that has not been optimal. One of the solutions in overcoming the backlog is the implementation of the policy of increasing government budget allocation for the housing sector and the need for appropriate financing schemes. Another Solusia is to create a policy that allows the banking world to provide convenience in providing financing to the community.
Financing is part of an important process in housing development. There are three basic principles in housing finance namely,

1. Expanding access to housing finance especially for MBR
2. Avoid the monopoly of one of the credit lending agencies
3. Expanding financing institutions to engage in mortgage lending.

Financing is considered the most important issue in the whole process of housing development because it involves the allocation of funding sources. In micro, this is due to the economic ability of the people of Indonesia to reach decent housing prices. Most of the Indonesian is a society with a lower-middle-class economy, while in macro it is also inseparable from the ability of the national economy to support the solution of housing problems as a whole. Another thing that is also one form of this financing problem is the tendency to increase the cost of development, including land procurement costs that are not comparable with the increase in income figures of the community, so the standard to meet the need for occupancy becomes more expensive.

Actually, the role of the central government in-home financing has started from a few decades ago. In 1974 the Government established the State-Owned Enterprise (SOE) PERUMNAS responsible for providing housing for MBR and in the same year the Government also established BTN Bank to finance the construction of housing for middle and low-income households. The KPR program itself was introduced on December 10, 1976 through the realization of the first mortgage disbursement by BTN in Semarang (Badan Layanana Umum Pusat Pembiayaan Perumahan 2014). The program was originally known as subsidized KPR, which is aimed at extending credit distribution to low-income households (Suparwoko 2013).

In line with the launch of the million-housing national movement, the government introduced a subsidized KPR with the Pattern of interest difference and advance subsidy in May 2003. The Government program is further complemented by a new subsidy program known as KPR Sejahtera. The new pattern in the form of FLPP is a revolving fund program from the government aimed at KPR Sejahtera Tapak and KPR Sejahtera Susun. Meanwhile, the subsidized sharia-based financing program (KPR Syariah) was launched by the Ministry of Public Housing in 2005. Later that same year, BTN Bank began introducing secondary mortgage to introduce and develop secondary mortgage financing mechanisms.

Housing financing schemes that have been implemented either in the form of advance payment, credit interest subsidies, and FLPP has done in order to accelerate the provision of housing for the community. The cash advance support program is intended for state civil servants, BPJS Employment participants, and Social Insurance participants of the Armed Forces of the Republic of Indonesia. Advance payments and FLPP are government assistance in the form of easy financing for MBR, which is financing with a mortgage interest rate of 5%, tenor of 20 years, and free sales tax.

The financing scheme in the form of advance payment, credit interest subsidy, and FLPP has not fully reached all of MBR's layers. In general, MBRs who work and earn relatively fixed who can enjoy the facility. The bank is more selective in providing mortgages to bankable MBRs, whereas MBR works more in the informal sector with uncertain income that is difficult to meet bankable criteria.

There are other schemes that have been implemented by the central government, namely the Self-Supporting Housing Self-Improvement Stimulation (BSP2S in Indonesia). BSP2S is government assistance in the form of a stimulant for MBR to increase self-reliance in development/improvement of house quality along with public utilities, facilities, and utilities. BSP2S recipients consist of individuals or community groups.

Requirements to receive BSP2S, among others: (1) Indonesian citizens already married; (2) Own or own land; (3) Do not own a house, or own and occupy the only house with unfit conditions; (4) Never received BSP2S from the central government; (5) The highest income in the local province minimum wage; (6) Preferably who has self-supporting and plans to build or improve the quality of his home; (7) Willing to form groups; and (8) Willing to make a statement.

In the scheme, BSP2S recipients can directly receive assistance in cash or can also be in the form of goods in the form of building materials. However, this scheme still has limitations only for those who already have their own land, while the landless peoples cannot enjoy the facility.

Central government programs that have been implemented also apply in the area of West Bandung. Many people already enjoy the financing schemes programmed by the central government. However, due to the limitations of budget allocations and other technical issues, the backlog of housing in West Bandung has not decreased significantly.

In addition to the central government which has a housing finance program as outlined, it turns out that the provincial government program also exists. The provincial government has a similar program with BSP2S called the Unfit Home Program (Rutilahu in Indonesia) and Increasing the Role of Women toward a Healthy Sejahtera Family (P2WKSS in Indonesia). The program is a stimulus program for the construction of new homes and or renovations of existing homes. The same problem also occurs in this program is budget constraints, so the allocation for West Bandung each year varies.
The amount of allocation from the program has reached the highest number of units in 2012 amounting to 4,026 units. While in 2015 only 13 units, even in 2016 the program does not reach the area of West Bandung. During the BSP2S program or the Rutilahu or P2WKSS program, the government in West Bandung has done housing construction and or renovation of 6,989 units.

**Table 1: The following BSP2S / Rutilahu / P2WKSS data in West Bandung**

![Graph showing BSP2S / Rutilahu / P2WKSS data in West Bandung]

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (Unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>13</td>
</tr>
<tr>
<td>2009</td>
<td>735</td>
</tr>
<tr>
<td>2010</td>
<td>150</td>
</tr>
<tr>
<td>2011</td>
<td>700</td>
</tr>
<tr>
<td>2012</td>
<td>4,206</td>
</tr>
<tr>
<td>2013</td>
<td>1,485</td>
</tr>
<tr>
<td>2014</td>
<td>335</td>
</tr>
<tr>
<td>2015</td>
<td>13</td>
</tr>
<tr>
<td>2016</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s Research

As an autonomous region, West Bandung Regency Government also conducted a financing policy in overcoming the backlog of housing that occurred in its territory. However, the new financing policy has been done in the form of a social assistance stimulant of house construction and home renovation unfit for habitation (RTLH in Indonesia). West Bandung Regency Government provides assistance to each individual who has been selected for Rp 5 million.

Since 2008 the West Bandung Regency Government designed the RTLH program with a changing scheme. Financing in the form of social assistance for the development and or renovation of houses has been done in the form of aid goods and also in the form of cash assistance. Every year the government of West Bandung issued a budget for the program billions of rupiah. Even in the fiscal year 2016 and then recorded Rp 10.17 billion for 2,026 units of houses financed.

Here is the development of a successful house financed through the RTLH program by the West Bandung Regency Government.

**Table 2: Houses Funded Program RTLH**

![Graph showing Houses Funded Program RTLH]

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (Unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>542</td>
</tr>
<tr>
<td>2009</td>
<td>1291</td>
</tr>
<tr>
<td>2010</td>
<td>1722</td>
</tr>
<tr>
<td>2011</td>
<td>735</td>
</tr>
<tr>
<td>2012</td>
<td>2,274</td>
</tr>
<tr>
<td>2013</td>
<td>2,005</td>
</tr>
<tr>
<td>2014</td>
<td>1,607</td>
</tr>
<tr>
<td>2015</td>
<td>848</td>
</tr>
<tr>
<td>2016</td>
<td>1,996</td>
</tr>
</tbody>
</table>

Source: Author’s Research

Every year the number of housing units that can be funded from the State Budget West Bandung varies depending on the policy of the Regent. However, the overall West Bandung Regency Government from 2008 to 2016 has done the construction or renovation of 13,020 units of houses. Overall, the central government, provincial and district programs until the end of 2016 have been successful in building and or renovating houses totaling 20,009 housing units. The amount is still very small compared to the backlog of existing houses in the area of West Bandung which reached 28,400 units.
Alternative Housing Policy Policies

In general, the procurement of houses especially for MBR is strongly influenced by 2 (two) aspects, among others: the policy aspects and aspects of policy implementation. The policy aspects include policy-making, policy content, policy implementers, policy outcomes and policy impacts. While the aspects of policy implementation include: (1). Ratification of decisions in the form of legislation at various levels, such as laws, government regulations, presidential decisions or regional regulations; (2). Implementation of such policy or decision by the implementing agency; (3). The willingness of the stakeholders or target groups to implement those decisions; (4). The real impact of policy implementation, both positive and negative impacts; (5) Perceptions of implementing agencies on the implementation of policy; and (6). Efforts to improve the implementation of the policy.

The People's Legislative Assembly, both at the central and regional levels as the policy-making body, has produced several policies supporting the procurement of houses, especially for MBR. Some policies related to MBR, among others: (1). Law no. 1 of 2011 on Housing and Settlement Area; (2). Government Regulation Number 64 Year 2016 on Low-Income Housing Development; (3). Ministerial Regulation Number 48/PRT/M/2015 concerning Scheme of Difference in Instalment of Credit / Financing of Home Ownership to MBR by Using Revenue from General Service Board of Housing Financing Fund Management Centre; and (4) Ministerial Regulation Number 21/PRT/M/2016 concerning Ease and / or Assistance for the Acquisition of Home for MBR. While at the district level alone every year issued a Decree of the Regent on the Establishment of Social Assistance to the Community for Improper Home Improvement.

Policy aspects related to housing finance already exist from national and regional levels. However, the outcomes and impacts of the implemented policies have not been able to solve the housing backlog problem. The existing policies are still fixed on the budget capabilities of the government and other issues. The policy of subsidized financing through banks is still limited to people working in the formal and bankable sectors, while the people working in the informal sector (non bankable) cannot be touched by the program. Other policies of direct assistance are constrained by the limited government budget and land ownership requirements.

Policymakers need to devise new policies that address housing finance problems. Some policies that can be taken, among others:

*Government Guarantees for Communities Working in the Informal Sector*

This policy must be regulated through legislation in order to be binding on all stakeholders. Banks will be able to provide financing facilities immediately because there is a guarantee from the government. People, in particular, MBR will be able to buy a house through a mortgage without worrying about the proposed loan will be rejected by the banks. Government guarantees in question can be directly done by the local government or central government. Warranties may be insurance or other agreements that allow all parties involved to feel that no one is harmed.

*Allowance for Allocation of SOE Profits and Corporate Social Responsibility (CSR) Funds*

So far, there is the obligation of SOEs to allocate 5% of the net profit earned to conduct partnership programs and community development. The fund has been managed by each SOEs in its allocation. There are even some state-owned companies whose funds are very large due to the accumulation of allowance every year.

The government can make a policy to allocate some of these funds to help the house procurement program or house renovation which is still constrained the allocation of funds. Local governments may wish to fund funds from state-owned enterprises in their areas as a source of housing finance. In addition, local governments may also require private companies in their territories to undertake CSR by allocating certain percentages for financing the construction and / or renovation of houses.

The allocation of financial resources from the earnings of SOEs or CSR of private companies can be a source of non-government financing for the construction and or renovation of houses that are not suitable for habitation. For the success of the policy, there needs to be a reward and punishment factor for the company. SOEs or private companies that run should be appreciated with various facilities and incentives, while those who do not run the policy there are administrative and social sanctions.

*Location Guarantee and Land Licensing for Housing*

The price of an expensive house is one of them because the developer has difficulty in obtaining land for housing. The local government can assign land and finance the purchase of land and help maintain its licensing. During this time the developer who will build the house must buy the land at a high price. In addition to the price of expensive land, developers also have to face various obstacles such as licensing process and certification of land rights (Suryanto, and Rusli 2017). The developers will usually take care of the licensing and management of land certificates through the services of people who can facilitate the process. This has an impact on the emergence of high economic costs that will be charged to the selling price of the house.
Policies that can be done by the local government can be in the form of a Regional Regulation on land acquisition and the construction of home construction permits for MBR. If there is a Regional Regulation, then the components of land supply and licensing can be facilitated, then the selling price of the house is not too expensive. MBR buyers are not too large in providing financing to get home.

**Removal of Home Purchase Advance**

So far, the advance payment program to buy a house has been very good, but access to the program is still limited. The budget constraints of the government cannot meet the needs of MBR who will buy a house. The policy of Bank Indonesia, which sets the down payment of home gives MBR. The issuance of Bank Indonesia Regulation Number 18/16 / PBI / 2016 on Loan to Value Ratio for Property Loans, Financing to Value Ratios for Property Financing, and Advances for Credit or Motor Vehicle Financing are a bit of a relief, but in the regulation, there is still an advance in the home purchase. Some of these alternative policies do not mean eliminating previous policies such as advance payments, interest subsidies and FLPP. The government maintains its existing policies plus new policies to cover the existing weaknesses.

**CONCLUSION**

The financing policy of housing development in West Bandung consists of several sources, among others: the central government, provincial and district governments. Sources of financing from the central government are channeled through banks in the form of advance payments, interest subsidies and housing financing liquidity facilities. The financing procedure is performed for low-income households that are bankable through the homeownership credit process. Programs devoted to non-bankable communities of the central government through the Self-Help Housing Stimulus Support program. Other sources of financing from the provincial government in the form of Program Rutilahu, while housing finance from the district government that social assistance is not suitable home habitable or known by the term RTLH.

Some existing policies still cannot reduce the backlog housing significantly due to budget constraints owned by the central government, provincial and local governments. There are other financing alternatives to complement existing financing policies: (1) Government guarantees for people working in the informal sector; (2) Provision for allocation of SOEs profits and CSR funds; (3) Site guarantee and land licensing; and (4) Removal of the down payment on home purchase.

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