

Effect of government policy towards the abandoned housing project in Malaysia

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ABSTRACT

The issue of abandoned housing project happens across the globe, and it brings nothing positive to the stakeholders as well as to the economic and environment. Even though there are numerous policies and the Malaysian government has promulgated laws, yet the problem of abandoned housing projects is still occurring and not yet been fully addressed. The objectives are to investigate the factor of government policy that contribute to the abandoned housing project and to suggest the suitable solution in mitigating the problem. After the extensive literature review and multi-choice questionnaire survey method been done, the author found that the requirement of 30% low cost house for each development and unstandardized policy together with strict regulation from authorities is one of the main factor that contribute to the abandoned housing project. This paper suggested that the requirement of 30% low cost house for each development should be revised and the requirements for statutory approval should be standardized and short. This study will be contributing an information to the stakeholder involved in housing development.

1. Introduction

Housing is a basic human need that not only serves as a shelter, but also is a simultaneous source of luxury, investment, privacy, and comfort. Since 1957 until 11th Malaysian Plan, Malaysian government policy has put the objective of meeting housing needs to the public [1]. Despite the emphasis on improving the provision of housing by the government in Malaysia, housing is still a controversial issue [2]. One of the continuous housing problematic issues was the abandoned housing project [3]. The Ministry of Housing and Local Government (MHLG) was considers that the project can be abandoned if 1) there has been no substantial activity on site for six consecutive months, or 2) it is involved in a winding-up petition registered at the High Court under Section 218 of the Companies Act, or 3) it is under receivership, or 4) the developer has informed 2 the Housing Controller in writing of his inability to complete the project, or 5) the project has been certified to be abandoned by the Minister under Section 11 (1) I of Housing Development (Control and Licensing) Act 1966 (i.e. Act 118). Abandoned housing projects are not a new issue since it considered as a major problem in Malaysian construction industry as well as in many other countries including United State, Spain, Russia, Dubai and Kuwait [4]. Previous study found that there are several factor that contribute to the abandoned housing project and one of the factor is unfavourable government policies [3]–[5]. This study aims to investigate the sub factors that include in unfavourable government policies toward

abandoned housing project. Furthermore, the suggestion in mitigate the problem due to unfavourable government policies will be suggested.

2. Government programs and policy in housing development

There are two categories for housing developer in Malaysia, which is public and private developer. In Malaysia, the federal government is responsible to formulate the policy, laws and regulations governing housing especially for the private sector. The local government generally did not involve directly in housing production except the low cost house development and approving the planning permission and building plans for housing construction by both public and private developers [6]. In achieving the agenda of providing suitable and affordable housing for society in Malaysia, the government has set up various housing programs and policies. Table 1 illustrate the housing program that been set up by the government in order to provide adequate housing to the targeted group. The most recent statute relating to housing development that just be introduced in Malaysia is the 1Malaysia Housing Programme (PR1MA) [7].

Table 1. Housing programmes development in Tenth Malaysia Plan (Eleventh Malaysia Plan, 2016)

Programmes	Monthly Household Income (RM)		Ministries / Agencies	Number of Housing Units		
				Completed	Under Construction	Total
Program Bantuan Rumah (PBR)	Below Poverty Line	Income1	Ministry of Rural and Regional Development	56,668	8,298	64,966
Program Perumahan Rakyat (PPR)	2,500 and below		Ministry of Urban Wellbeing, Housing and Local Government	12,025	27,087	39,112
Rumah Mesra Rakyat 1Malaysia (RMR1M)	750 to 3,000		Syarikat Perumahan Negara Berhad (SPNB)	32,948	2,803	35,751
Perumahan Rakyat 1Malaysia (PR1MA)	2,500 to 10,000		Perbadanan PR1MA Malaysia	560	18,400	18,960
1Malaysia Servants Housing (PPA1M)	Civil 2,500 to 10,000		Prime Minister's Department	-	13,539	13,539
Rumah Wilayah Persekutuan (RUMAWIP)	6,000 and below		Ministry of Federal Territories	-	9,309	9,309

Besides, the Malaysian government has formulated a set of policies to strengthen the involvement of the private sector in housing production and delivery [8]. The housing policy is definitive, and is articulated adequately in all of the five-year Malaysia Plans as demonstrate in

Table 2 [9].

Table 2. The summary of National Housing Policy based on the Five Year Malaysian Plan (The Economic Planning Unit & National Institute of public Administration)

No of planning	Main agenda
1st Malaya Plan (1966-1970)	Providing low cost housing units to lower income groups
2nd Malaysian Plan (1971-1975)	Providing national housing programmes to all citizens that categorized under low income groups
3 rd Malaysian Plan (1976-1980)	To develop a national unity via housing programmes To improve life quality for rural area
4th Malaysian Plan(1981-1985)	To ensure all citizens especially for low income groups have a fair chances to have their own house in town and rural area
5th Malaysian Plan (1986-1990)	Private sector has given more chances to provide housing and the government responsibility has been reduced
6th Malaysian Plan (1991-1995)	The National housing policy has been focus on providing shelter that can be owned by all citizens and to encourage national integration
7 th Malaysian Plan (1996-2000)	Private sector has been given more responsibility to provide 70% of housing target during particular period
8 th Malaysian Plan (2001-2005)	Emphasized has been given to provide high quality of housing scheme at prime location
9 th Malaysian Plan (2006-2010)	To provide enough housing schemes that can be owned by all citizens via government agency
10 th Malaysian Plan (2011-2015)	Ensuring access to quality and affordable sustainable housing
11 th Malaysian Plan (2016-2020)	Providing adequate and quality affordable housing to poor, low and middle-income households

In year 2007, the government is engaging the private housing developer to cooperate in their new housing programmes. The government give a responsible to the private developer in providing good quality and affordable prices for “Low-Medium Cost” houses [10]. The private developer required by Malaysian government to build 30% of low cost house from their total development [11]. The incompetence private developer left the low cost house abandoned due to low demand and found unprofitable to be completed [5]. The requirement is not flexible and cause a burden to the smaller project [4]. Another unfavourable government policy is the housing delivery system. Malaysia has two system Sell-Then-Build (STB) and Build-Then-Sell (BTS) system. The STB system, in an effort to provide more housing to Malaysians and it has contributed to a certain extent the problem of abandoned housing when the problematic developer left the project uncompleted [12]. [13] found that the funding risk for STB system is lesser since the agreement is only between banker and the housing buyer. In 2006, the Malaysian government already introducing the Build Then Sell (BTS) system, which give more advantages to the house buyer since the buyer only pay 10% after signing the sell and purchase(S&P) agreement and 90% after the project has received the certificates of completion [14]. However most of the housing developer reluctant to implementing the new system and refuse to face the risk of that system [15]. One of the risk in BTS system is the developer need to provide a big fund for the whole project until its completed and only the strong financially developer are able to implement the system [16].

Moreover, the delay and unstandardized policy for a statutory approval may cause cost overrun and project abandonment [4], [5]. The statutory approval refers to the obtaining of permissions from the relevant authorities to initiate and construct a housing and upon its completion to occupy and use the completed housing[17]. The planning system in Malaysia adopts a ‘top-down’ approach, starting at the federal level, then at the state level and finally at the local authority level **Error! Reference source not found.**]. In order to smoothen the process of approval matters the MHLG introducing the One-Spot-Centre (OSC). However, due to lack of workers and expertise to do task such as the fee calculation, pre-consultation and technical discussion at the OSC department the delay for approval matter still exist [16]. [9] Also, found that the weakness of OSC is happen due to lack of communication skill staff, unclear procedures and the administration problems. Although, the MHLG has implemented a lot of policy in order to improved and reduce the numbers of abandoned housing project, the study on factor contribute to the unfavourable government policy should be done to know the root causes. Together, the suggestion for solution in managing the problem will be discuss in this paper.

3. Methodology

In order to achieve the listed objective, the quantitative research methodology that involves the measurement of variables and their interrelationships conducted. The data obtained using the quantitative method is quantified data which measurable using scientific techniques and instruments. Data from the quantitative method are normally analysed by using statistical procedures [18]. Analyses of the data yield quantified results and conclusions derived from evaluation of the results in the light of the theory and literature [19]. For the purpose of this study, the research methodology can be briefly divided into four stages, namely: 1) Literature Review, 2) Data Collection, 3) Results and Analysis and 4) Conclusions.

3.1 Data Collection

Data collection techniques would be split into several stages to get information that is orderly. In early stage, a structure work shaped to get picture on study journey. This structure will divide to various parts namely data observation and questionnaire survey. An extensive review of the literature was conducted. The researcher study on problem occurs and the causes of the abandoned housing project in Malaysia. From the literature review, the factor, causes, impacts and the stakeholder that leads to the problem also can be identified. This research also studies the solution has been taken by government of Malaysia to preventing those problems. Afterward, the questionnaire survey will be designed using all of the information that been collected.

In order to ensure the reliability of the survey, thirty (30) sets of the questionnaire interview face to face distributed to all respondents from expert in housing development background around Peninsular Malaysia. The questionnaire consists of three (3) sections, section A; respondent personal background. Section B; to determine the perception of respondent towards the relationship between all sub-factors for unfavourable government policy towards the abandoned housing project. Section C is an open-ended question asking for suggestion from respondent in order to mitigating the unfavourable government policy that causes the abandoned housing project in Malaysia. Likert’s Scale is used in the multiple choices question in questionnaire which is five ordinal measure of agreement for each statement from 1 to 5.

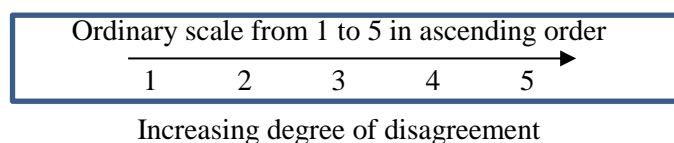


Figure 1. Likert’s scale

Each scale represents the following rating:

- 1 = Totally Agree
 2 = Agree
 3 = Moderate
 4 = Disagree
 5 = Totally Disagree

3.2 Data Analysis

Relative Index Inequality (RII) is adopted to evaluate the ranking of different factors by the respondents. The higher index value donates higher unnecessary statement with maximum index value factor. The classification of the rating scale is following below:

Table 3. Relative Importance Index

Rating Scale	Relative Index	Category
1	$0.00 \leq \text{Relative Index} < 0.20$	Totally Agree
2	$0.20 \leq \text{Relative Index} < 0.40$	Agree
3	$0.40 \leq \text{Relative Index} < 0.60$	Neither agree or disagree
4	$0.60 \leq \text{Relative Index} < 0.80$	Disagree
5	$0.80 \leq \text{Relative Index} < 1.00$	Totally Disagree

The formula for Relative Importance Index is as follows:

$$\text{RII Value} = \frac{\sum w}{A \cdot N} \quad (0 \leq \text{RII} \leq 1) \quad (\text{Eq. 1})$$

- RII : relative importance index
 W : the weight given to each factor by the respondents and ranges from 1 to 5,
 (where '1' is "strongly agree" and "5" is "strongly disagree")
 A : the highest weight (i.e. 5 in this case)
 N : the total number of respondents

4. Result and discussion

4.1 Respondent background

Figure 2 represent the numbers of respondent from housing development expertise such as developers, consultants, contractors and government authority been collected and analysed. The total of 30 numbers respondent has been select for this research. Most of the respondent are experience in abandoned housing project and some of them involved in housing development industry more than 10 years.

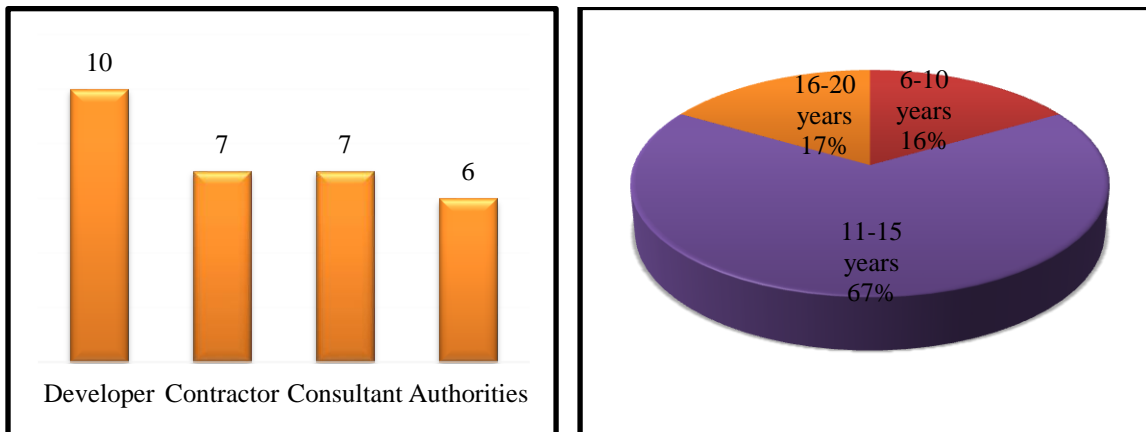


Figure 2. Numbers of Respondent and Year of Experience in Housing Industry

Government has been implement many policy regarding the housing development in Malaysia and some of the policy is considered unfavourable to be implemented as per discuss in literature review. There were many other factors contribute to abandoned project, but in study the focus will be on the government policy factors only. The purpose of this study is to identify how much the unfavourable policy could influence the abandoned housing project in Malaysia.

Based on Figure 3, 52% of the respondent agree that the unfavourable government policy is one of the factor contribute to abandoned project. Followed by 43% strongly agree and 5% more are moderately think that abandoned project is cause by unfavourable government policy. The unfavourable government policy is including the housing delivery system and it is supported by [3], [12], [20], [21]. Secondly is the requirement to every developer to provide 30% of low cost housing for every new development found by [4], [5], [22]. Followed by the unstandardized regulation and policy for every state for a statutory approval application [4], [5], [23], [24] and another factor is the limitation of the tribunal for homebuyer claims found by [25].

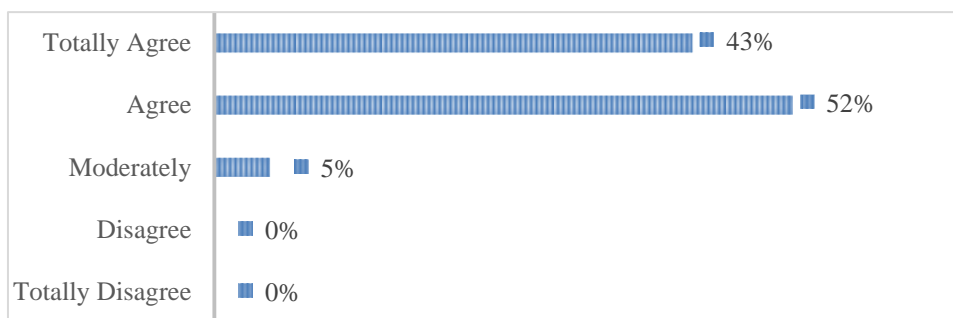


Figure 3. Percentage of respondent agreement on unfavorable government policy is one of the factor that cause abandoned housing project

4.2 Unfavorable government policy that contribute to the abandoned project

Result in **Error! Reference source not found.** show the ranking for unfavorable government policy in Malaysia housing development. As can see the rank 1 with RII value 0.90 is the requirement of providing 30% of low cost housing and unstandardized policy and strict regulation for statutory approval can contribute to abandoned housing project. The housing developer reluctant to construct the low cost housing due to low profit return[5], [26]. [4]Also found that the inconsistence and non-standardized practices in statutory will make the project abandoned.

Table 4. Factor of unfavourable government policy

Rank	Unfavorable Government Policy	RII
1	Requirement of 30% low cost house	0.90
	Unstandardized policy and strict regulation from authorities	0.90
2	STB Housing delivery system	0.85
3	Limitation of tribunal for homebuyer claims	0.75

While rank 2 with RII 0.85 is the STB housing delivery system, which is found bias to the homebuyer. The STB system give more advantages to the developer to improve cash flow from the progress payment by the homebuyer and the developer can use it as an investment to other project [27]. Nevertheless, the worst part is when the project is incomplete and abandoned; the only victim is the homebuyer because they still need to pay the housing loan to the banker [28].

The rank 3 for factor of unfavorable government policy with RII 0.75 is the limitation of the tribunal for homebuyer claims when the developer abandoned their incomplete house. [26] Found that the limitation of the jurisdiction of the tribunal for homebuyer claims is one of the causes of abandoned housing projects. The limitation is the homebuyer need to file the claim before the ordinary court and the total claim not exceeding fifty thousand ringgit Malaysia, which is only fair for low cost house [29].

In order to improve the government policy, the solution for every factor should be study. This study also investigates the proper solution to mitigate the problem of unfavorable government policy in the next chapter.

4.3 The solution for unfavorable government policy.

The suggestion solution by the respondent in improving the government policy listed in

Table 5. The first solution suggested by the respondent is by revised the requirement of 30% low cost house for every new development. The government should consider the location, standard of living and land price for the development in order to preventing the abandonment of low cost house [5], [30].

Table 5. Suggestion solution

Solution
Review the requirement of 30% low cost house to meet the demand
Standardize the requirement and short approval from authorities
BTS system as a priority housing delivery system in Malaysia
Offering incentive to the developer using BTS system in term of cash flow support
Monitoring the housing price using BTS system
Enact legislation to provide a win-win situation for all parties, especially developers and buyers

Secondly, the government should standardize and revise the unnecessary requirement for statutory approval and improve the OSC department in order to reduce the time consuming for application of approval [4], [5]. The need of expertise in OSC department and clear procedure is crucial and continuous communication training crucially needed to prevent misunderstanding [9], [31]. Other solution is by making the BTS system as a priority for Malaysian housing development. By implementing this regulation only capable and financially strong private developer are able to do the development and the abandoned housing project may not occur [32]. The homebuyer feeling secure in term of money and quality for BTS housing [33]. The author also added that the banker is easily release the housing loan to the qualify homebuyer. At the same time, the government need to monitor the housing price for BTS system to meet the current housing price [16]. To make the BTS more convenient and do able, the cooperation from financial institution to give a lenient project financing for the low financially developer until the project is completed [14]. Finally, is by enact legislation that giving a protection to the buyer and strict action taken to the defaulting private developer. The

defaulting developer who are causing the abandoned housing project can easily run away from their culpability due to weakness of enforcement by the government [3].

5. Conclusion

The study proof that the unfavourable government policy also contributes to the abandoned housing project in Malaysia. The analysis found that, the most influence sub-factor for unfavourable government policy is the requirement of housing provision and the inconsistency of statutory approval for housing development. The revising and implementing new relevant policy crucially needed in order to improve the housing development in Malaysia. This study also listed some of the suggested solution to reducing the problem. It can be conclude that by revising the government policy is not the only way to prevent the abandoned housing project but surely the numbers can be reduce.

6. References

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Acknowledgment

The authors are grateful to the Ministry of Higher Education, Malaysia (MOHE) and Research Management Centre (RMC), University Malaysia Pahang (UMP) for financial support under grant RDU170341.