DECLARATION

"I hereby declare that I have read this thesis and in my opinion this thesis is sufficient in term of scope and quality for award of the Bachelor of Technology Management (High Technology Marketing) With Honours"

Signature   :

Name of Supervisor   : Dr. Haslinda binti Musa

Date   : June 25th 2014

THE ABILITY

OF THE MIDDLE INCOME EARNERS TO OWN HOUSES

IN MELAKA TENGAH

ISMAIL BIN MD DESA

This report is submitted as

Fulfilment of the requirements for the award

Bachelor of Technology Management (High Technology Marketing) With Honours

Faculty of Technology Management and Technopreneurship (FPTT)

UNIVERSITI TEKNIKAL MALAYSIA MELAKA (UTeM)

JUNE 2014

DECLARATION

"I declare that thesis entitle "The Ability of The Middle Income earners To Own Houses In Melaka Tengah" is the result of my own research except as cited in the references"

Signature   :

Name of Supervisor : Ismail bin Md Desa

Date   : June 25th 2014

DEDICATION

Special for:

My loved parent, Robeah binti Abdul Ghani and Md Desa bin Abdullah,

Thank you for all the sacrifices and love that poured.

Very special for my beloved wife,

Najwa Hani binti Mansor

Thanks for the faithful when happy or not.

ACKNOWLEDGMENT

I Ismail bin Md Desa would like to express my sincere appreciation to my supervisor, Dr. Haslinda binti Musa for accepting, guide and motivate me to complete the Undergraduate Project I and II. A lot of useful knowledge that I have acquired over under her supervision.

Appreciation is also extended to all those involved either directly or indirectly in developing a successful research project. Among Affendy bin Sulaiman, my housemate helped me a lot, also to my classmates, my roommates and many more. Hopefully this report will be a source of reference to other students later.

ABSTRACT

Affordability of owning a home is the ability to pay for housing costs involved in the process of buying a home. Home affordability issues are often discussed and involve middle-income earners. Therefore, this study discusses the ability of middle income owning a home in Melaka Tengah. Data and information obtained from the survey respondents consisted of various educational backgrounds and income. This study was conducted to improve understanding of the study conducted by referring to books, articles, journals and other reading resources available in the library and the Internet and previous studies. Data used are collected through a questionnaire, all information related to the research collected and analyzed using two main software Microsoft Excel and the Statistical Package for Social Sciences (SPSS). From the study, it was found that the income variable and the loan becomes a key factor to the respondents to have a house in Melaka. While variable expenditures related to the ability but not significant.

ABSTRACT

Kemampuan memiliki rumah adalah keupayaan kewangan untuk membayar kos perumahan yang terlibat dalam proses membeli rumah. Isu kemampuan memiliki rumah sering dibincangkan dan melibatkan golongan berpendapatan sederhana. Oleh itu, kajian ini membincangkan keupayaan pendapatan sederhana memiliki rumah di Melaka Tengah. Data dan maklumat yang diperolehi daripada kajian terdiri daripada responden yang pelbagai latar belakang pendidikan dan pendapatan. Kajian ini dijalankan untuk meningkatkan pemahaman mengenai kajian yang dijalankan dengan merujuk kepada buku-buku, artikel, jurnal dan sumber bacaan lain yang terdapat di perpustakaan dan Internet dan kajian-kajian yang lepas. Data akan dikumpul melalui borang soal selidik, semua maklumat yang berkaitan dengan penyelidikan akan dikumpul dan dianalisis menggunakan dua perisian utama iaitu Microsoft Excel dan Pakej Statistik untuk Sains Sosial (SPSS). Dari hasil kajian, didapati bahawa pemboleh ubah pendapatan dan pinjaman yang menjadi faktor utama kepada responden untuk memiliki rumah di Melaka Tengah. Manakala pemboleh ubah perbelanjaan mempunyai hubungan dengan kemampuan tetapi tidak significant.

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CHAPTER 1

INTRODUCTION

1.1 Background of project

Housing is one of the basic requirements for a major and important human life to ensure their well-being preserved. Since prehistoric times longer shelter or home has become an essential prerequisite apart from food and drink to human life. According to Marcussen (1990), house as a shelter, it also contains the concept of security, love, peace, and freedom. Up to now, the house has become a measure of the quality of life of a person and thus becoming a long-term investment to the homeowner. The main criteria are sought after by every individual to purchase a new home is comfortable and basic amenities such as schools, retail stores and so on.

Therefore, owning a home is a dream of every individual. However, owning a home is not an easy thing because require large capital to get it. The majority of household spending using their monthly salary to pay the price of the house.

There are many factors that influence the decision to buy a home like a attractiveness, location, income, wealth, the cost to purchase and also the price. Usually need a loan to buy a house to fund it. Measure whether a person can get home to possess is seen in terms of their ability to pay for the home.

According to Jewkes and Delgadillo (2010), affordability of houses is seen as the ability of households to pay for the loan and have residual income that can be used for other expenses. The basis used is 1/3 of income used for expenses to get home

1.2   Statement of the problem

Melaka Tengah is the famous place and location in the Melaka and the same time provide a lot facilities to people around that people. Based on that fact, the market price of terraced houses in Melaka Tengah is between RM110,000 to RM150,000 and for some locations exceeding RM200,000. Based on these phenomena is difficult for middle-class income people earning between RM2000.00 to RM 4000.00 a month to fulfill the dream of owning a home. This is based on the qualifications that they can obtain loans of between RM100, 000 to RM200,000. Therefore it is necessary to know the actual ability of this group to have they own house.

1.3   Objective

The primary objective of this study was to analyze whether elements such as income, expenditure and loans can influence their actual ability of the middle class to buy homes. Detailed studies will be carried out:

- i)   To investigate whether factor of income can influence buying a house
- ii)   To investigate whether factor of loan can influence buying a house.
- iii) To investigate whether factor of expenditure can influence buying a house

1.4   Skop

This study will be carried out in Melaka Tengah. The instrument used in this study is a questionnaire and distributed to the parties involved, a questionnaire on the ability of the middle income to own a home in Melaka Tengah. Use of such software Microsoft Excel and packages used for Statistical Analysis Software (SPSS) will be used for data analysis.

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1.5   Importance of the Study

The results of this study is reflective of the future is not 100% true to reflect the whole country in general, but hopefully with this study, may open the eyes of all parties involved so that all the factors that can put a guide and reference.

This study aims to support and strengthen previous theoretical and modelling studies concerning ability middle-income earners to a home in Melaka Tengah. In addition, this study was also carried out to increase the number of studies related to consumer psychology that felt very under-utilized, especially in Malaysia. Findings from this study also adds general reading materials in the form of articles or journal.

This study can give to homeowners or prospective home buyers that before making a decision to buy a home, must look at own ability first. This is because in order to facilitate and not mistakenly buy homes beyond income. Therefore, this study will identify potential middle-income earners to own a home in Melaka Tengah. In addition, the results of this study are expected to be a reference to the parties involved.

CHAPTER 2

LITERATURE REVIEW

2.1   Introduction

Malacca City is the capital of the state of Malacca. The city is located in the district of Central Malacca. The city is the largest city in Malacca. UNESCO has declared a World Heritage Site city to Melaka apart from Georgetown, Penang on July 7, 2008. Malacca city is also rich in local culture and has an international-class tourist attractions.

The position of the growing tourism industry interests have made it as one of the main contributors to the economic development of the state of Malacca. When the economy is growing at a good state, then it will be the focus of the crowd. According to the Jambatan Perangkaan Malaysia (JPM) State population has increased from year to year. In 2011 the State population is 833 200 people to 842 700 people in 2012.

This chapter will focus on the definition of the word 'ability', 'the middle-income' and 'home'. This key is an important element in the ongoing study. In addition, this chapter will also discuss the main reasons that influence the ability to buy a home. Some of the reasons are related to the factors of income, monthly payments, consumption patterns, facilities, number of dependents, age, occupation, and so on.

2.2 Definition of house, ability and middle-class

Because this study is to examine the ability of the middle-class income in buying a home, the keywords must be defined is the 'home' ability 'and' middle-income'. The aim is to provide an initial overview of the study.

2.2.1 House

Home is a place of human habitation that has walls and a roof that can withstand from precipitation, wind, heat, cold and other intruders. Sometimes the house is also inhabited animals, but special shelter for animals commonly called cage or nest.

Roger Nissim (2008, pp.80) states that "This word (house) is normally given a very wide interpretation and can mean a multi-storey development for non-industrial use. However, when used in the singular, the building must have only one main entrance; a secondary entrance is sometimes permissible if it is not intended to provide normal access".

2.2.2 Ability

According to the Kamus Dewan bahasa (Third Edition), ability is defined as the "willingness or ability to achieve or do something"

In the concept of the ability to buy a home, according to Norazmawati Md Sani @ Abd Rahim (2007), ability of home ownership is a financial capacity to pay for housing costs involved in the process of buying a home. Ability aspects of home ownership, especially among the middle and lower income. The ability to buy a home are closely related to income earned by an individual

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2.2.3 Middle-class

The middle-incomes is meant in this study were those with modest incomes. According to Timbalan Menteri Kewangan, Datuk Ahmad Mazlan (2013), middle income group can be defined as "an individual or household (husband and wife) who earn RM2000 to RM4000 a month".

2.2 The middle-income earners to own home.

Housing ability is not an easy matter to be determined and identified. Various approaches and methods adopted by previous scholars in an effort to define housing ability. Ability of housing is a financial capability to pay the costs incurred in the ownership of a home. The main reasons which affect the ability to buy a house is like home prices, financial loans, income, and so on.
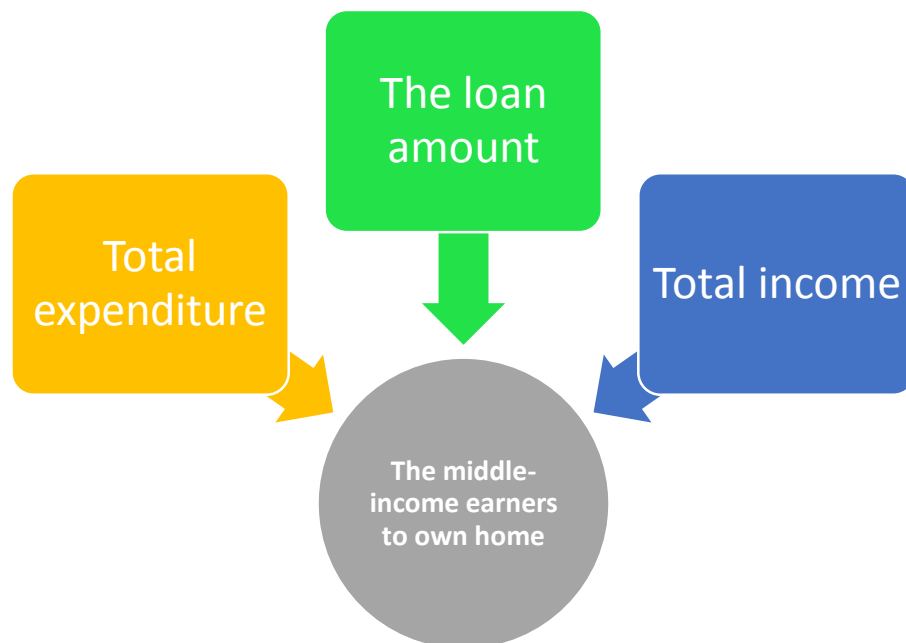

Figure 2.1: Study Framework

2.2.1 Expenditure

Income is the main source of influence on a person's ability to buy a house. Income someone is depending on the type of job, how long to work and promotion on the job. Generally, the type of job a person can be categorized into permanent jobs and part time jobs.

Apart from work, a person may have income from other sources such as the provision of family members, revenue from existing assets such as getting money from rent and so on.

In examining the ability of a person owning a home, earning factor is the most important element in ensuring the type of affordable housing by someone. Allocation of funds for housing should not exceed one third of your gross monthly household income. Total income received by households is a determining factor in house prices and types of homes affordable for them. A prospective home buyer should make sure that the property to be purchased is matched by its ability to purchase or pay.

In addition to income, there are several other factors that will affect spending patterns. Among them is the number of dependents, lifestyle and hobbies, the local cost of living, investment or other financing involved and so on. Someone spending patterns will determine the total amount that can be spent in housing and in turn influence the ability to own a home.

Bil	Income	Pay for home
1	RM0900 – RM1999	RM 300 – RM666.33
2	RM2000 – RM2999	RM666.67 – RM999.67
3	RM3000 – RM3999	RM1000 – RM1333
4	RM4000 – RM4999	RM1333.37 – RM1666.33
5	RM5000 – RM5999	RM1666.67 – RM1999.67

Table 2.1 shows mostly household using 1/3 they income to paying house payment

2.2.2 Loan

By convention, a 100% loan will only be given to borrowers who want to buy houses priced below RM100, 000. As for houses costing more than RM100, 000, the maximum allowable loan amount is only 80% to 90%. (Surat Pekeliling Perbendaharaan Bil. 1 Tahun 2013).

Total loans granted by the government to restrict government employees are subject to employment status. Government employees who are in group A and B or the management and professional is qualified to get the loan amount is higher as their monthly salary is higher than the state employees group C or D or Support Group.

Aside from financial institutions and government loan, home buyers can get loans from the Malaysian Building Society Berhad (MBSB). Treasury Circular Letter. 1 Year 2013).

Generally, the amount of monthly instalments payable by a person is dependent on three things; money borrowed, the interest rate and repayment period.

If a homebuyer to borrow RM50, 000 at an interest rate of 9% per annum for 20 years, then one year instalments of RM 5472 or RM456 per month.

Table 2.2 shows the instalments to be paid each month for the loan with a different interest rate for a period of 20 years.

$$MI = TL / (1 - 1 / (1+IR)^t / IR)$$

MI = Monthly Instalments

TL = Total Loan

IR = Interest Rate

t = Payback Period

Monthly Instalment Loans For Housing					
	Annual Interest Rate				
Total Loans	4%	9%	10%	11%	12%
RM40,000	RM245	RM365	RM392	RM419	RM446
RM50,000	RM307	RM456	RM498	RM523	RM556
RM65,000	RM399	RM593	RM636	RM680	RM725
RM70,000	RM429	RM639	RM685	RM733	RM781
RM80,000	RM491	RM730	RM783	RM837	RM893
RM90,000	RM552	RM822	RM881	RM942	RM1004

Table 2.2 Monthly Instalment Loans For Housing

Based on the table above, generally, one of the measures used by the bank in determining whether a person is able to repay the loan is the amount of the monthly payment should not exceed one third of the total income of a borrower. This means that if someone is a low cost house with a loan of RM50, 000 at the rate of 9%, then he should have a minimum income above RM1300 per month.

2.2.3 Income

Income is the main source of influence on a person's ability to buy. Income someone is depending on the type of job, how long to work and depend on the job. Generally, the type of job a person can be categorized into permanent jobs and part time jobs. Apart from work, a person may have income from other sources such as the provision of family members, revenue from existing assets such as getting money from rent and so on.

In examining the ability of a person owning a home, earning factor is the most important element in ensuring the type of affordable housing by someone. Allocation of funds for housing should not exceed one third of your gross monthly household income. Total income received by households is a determining factor in house prices and types of homes that are affordable to them.

A prospective home buyer should make sure that the property to be purchased is matched by its ability to purchase or pay (Mohd Talhar bin Abdul Rahman, 1992). Purchasing a home involves huge capital for a unit price is relatively more expensive than buying another unit. For most people, it may be the largest private investment. Table 2.1 shows the household by household income level and allocation for housing.

2.3 Summary

Overall, we can conclude that financial factors are key items that will be considered in making the decision to purchase a home. This is because it involves the price of a home to be purchased, provided loans, repayment period etc. Among the things that make it difficult for a person in making a decision to buy a home is like rising house prices, it's hard to get a loan and loan interest rates are too high.

CHAPTER 3

RESEARCH METHODS

3.1 Introduction

This chapter will discuss how this study and statistical procedures used in analyzing the data. The matters described, including study design, study area, study subjects, research equipment, the reliability and validity of the test tool, correlations and linear regression.

3.2 Study Design

This study will be conduct using a survey research methods. Survey method can be operate on a large scale and is a form of data collection that has be design for the purpose of predicting, making descriptions and analyses the relationship between the variables in the study (Ker linger, 1973). Since this study is a survey carried out by the collection of data using questionnaires.

3.3 Location Study

This study will be made in the district of Malacca. Primary data that get data from respondents to know their capabilities in a house made through questionnaires distributed randomly as UTC Melaka, supermarkets and housing areas around Melaka. The location was chosen because the area consists of different races can be taken as respondents.

3.4   Study subjects.

The subjects will be select base on simple random sampling. Simple random sampling technique is used so that subjects selected has the necessary elements of the study and represent what is required in the design of the study (Black & Champion, 1973). Base on a criterion that is select only subjects who work and have their own income. Way this is done in order to choose the subjects that are relevant and typical in a population study (Black & Champion, 1973)

3.5   Research instruments

This study will using questionnaires to the data collection. The research instrument was separated into 4 parts, part A, B, C and D. Part A was used to collect demographic information about the subject. It includes gender, ethnicity, age, education, employment status, income level, marital status.

While section B, C and D, this part will related to answer the objective, this questionnaire has been taken from the Likert scale and will be translated into the Malay language for ease of understanding when answering the questionnaire.

This section consists of more than 15 items questions. Questionnaire assessing shaped five point scale. Subjects are required to indicate in each column provided with the figures also represent a Likert scale of 5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1 = strongly disagree and some of question maybe will be using YES or NO.