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Remedies to inaccessibility of low-cost housing loan in Malaysia: using the qualitative approach

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ABSTRACT

Studies have shown that low-income earners (LIEs) faced encumbrances in gaining access to housing finance. Therefore, this study investigated the root-cause of inaccessibility of housing-loan and proffer pragmatic policy solutions so that Malaysian LIEs can access housing-loan to purchase homes via qualitative insight. To achieve this, 40 face-to-face oral interviews were conducted and validated via secondary sources. Findings show that ineligibility and inability to make down payment are the major reasons banks are reluctant to lend housing loan to LIEs. The root causes of the issues are bad status of Central Credit Reference Information System, lack of evidence of regular income, absence of collateral, inability to make down-payment, fear of inability to recover the loan and operating costs from the auction among others. Also, the rejection rate of LIEs housing loan application is about 70% with supporting evidence. A setting-up of a special housing loan scheme for LIEs across the country; government buy-up low-cost houses in the auction and placed them on rent-to-own scheme via independent agency while existing scheme sustained, intensified and strengthened among others were recommended as part of this paper's contribution and implication with a view to ensuring LIEs gain access to homeownership via housing finance.

Introduction

The significant of the housing to humanity as stipulated in Article 25 of the Universal Declaration of Human Rights cannot be overstressed (United Nations, 2016). This Act recognises the right to housing as part of the right to an adequate standard of living. Hence, one of the reasons Abraham H. Maslow affirms in the Theory of Needs, categorised housing as part of the first category of human needs after food (Maslow, 1943). This is in line with the Malaysian Government views of housing as a tool to achieve other big social policy aims. Therefore, when the government came up with the concept of homeownership for all in the early 1980s, it also came with all the assistance especially in terms of finance to ensure that the low-income group can purchase the house via policy regulation. This gave birth to many low-cost housing (LCH) policies for the past years that encouraged homeownership. For example, housing the poor (1971–1985), market reform (1986–1997), slums clearance (1998–2011), and state affordable housing (2012 to date). The Public LCH Programme

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emerged from the "housing the poor policy" whilst Rumah Mesra Rakyat emerged from the market reform policy (Shuid, 2016). Mohd-Rahim, Zainon, Sulaiman, Lou, and Zulkifli (2019) avowed that policy that encourages homeownership has often been justified by claims that it has a variety of benefits to both individual and society. The Malaysian Government over the years have made several attempts to ensure that housing is affordable and accessible to households via various programmes. For example, public housing policies and projects, public and private sector housing delivery for low-income earners (LIEs), support to the rent-to-own scheme, urban upgrading, squatter programme, subsidies to ease access to homeownership among others (Ebekozien, Abdul-Aziz, & Jaafar, 2017, 2018; Kamal, Hassan, Osmadi, & Fattah, 2019; Mohd-Rahim et al., 2019). However, some of these programmes are not exempted from problems and challenges because the financial institutions are the Malaysian house buyers main source of finance to purchase a home (Ebekozien et al., 2017; Paramesran, 2013; Shuid, 2016). Mahamud and Hasbullah (2011) averred that the challenge of accessing housing loan by Malaysian LIEs has been there since the mid-1990s. This is more than two decades and the problem of accessing housing loan by LIEs still lingers (Ebekozien et al., 2018; Mohd-Rahim et al., 2019).

Globally, accessing housing loan via banks is a challenge to most LIEs (Abdul-Aziz, Tah, Olanrewaju, & Ahmed, 2018). In Central Europe, housing affordability worsened for many (Ball, 2016), the same applies to the United Kingdom and the United States of America (Shain, 2017). The resultant effect of this is urban slums, which is a defining part of urban-scape (Friesen, Taubenbock, Wurm, & Pelz, 2018). Abdul-Aziz et al. (2018) findings corroborated Mahamud and Hasbullah (2011) submission. Abdul-Aziz et al. (2018) found that encumbrances to housing loan still persist and the worst hit is the low-income group even after several studies and suggestions. This is worrisome even with the federal and state governments various low-cost housing programmes yet the rejection rate is high. Hoek-Smit (2008), Yusof, Shafiei, Yahya, and Ridzuan (2010), and Bakhtyar Zaharim, Sopian, and Moghimi (2013) affirmed that the rate of rejection of LIEs house buyers is high but could not provide a possible rejection rate, hence impassive. Whilst Kamal et al. (2019) found that the housing needs of the LIEs have been addressed by the government. This contradiction would be filled as part of theoretical contributions to knowledge in this paper with evidence from the study. The need to address this issue from the root cause cannot be better than now because Anderson and Fagerhaug (2006) avowed that an investigator can establish why an event or failure occurred from the root; that is when specifying workable corrective measures to prevent future events can be recommended. Tan (2012a, 2012b) and Loong (2013) identified inability to pay down payment either as cash or from the borrower's bank account is a hindrance while Abdul-Aziz et al. (2018) identified ineligibility as the possible root cause of LIEs inaccessibility to secure housing loan in Malaysia with insufficient evidence, hence the need for this investigation.

Over the years, the demand-supply gap has increased possibly because of the high LIEs house buyers' rejection rate from the banks. This indicates that existing effort by the Malaysian Governments has not been able to ease access to housing loan. In an attempt to increase homeownership, the Malaysian Government via My Deposit Scheme launched by the Former Prime Minister Datuk Seri Najib Tun Razak in April 2016, assisted first-time house-buyers to pay the deposit, limited to 10% of the house price or a maximum of RM30,000 (US$ 1 = RM4.1) for houses costing

RM500,000 and below (Aruna, 2016; Ebekozien et al., 2017). Wide coverage and sustainability of this scheme is a challenge over the years. Whilst Mohd-Rahim et al. (2019) suggested the need to establish a strategy that can improve LIEs homeownership. This is the main contribution and implication of this paper; to proffer policy solutions so that low-income house buyers can gain access to home finance in Malaysia via an unexplored dimension. The aim of this paper will be achieved through the following objectives:

(i) To investigate the root causes of reluctance by banks to lend housing loan to low-income house buyers.
(ii) To suggest pragmatic policy solutions to mitigate housing loan rejection and improve homeownership among the LIEs.

Review of literature

This section reviewed and highlights the literature that addresses the reasons LIEs are inaccessible to housing loan in Malaysia. Several studies on default in housing loans have been conducted. In the opinion of Fernandez (2013), financial institutions seem to use the default factor as a basis for housing loan rejection. While Rosengren (2008) asserted that most of the studies on housing loan failed to have tested the relative importance of negative equity and factors related to the borrowers' ability to pay back as prime determinants of loan defaults. Empirical studies with evidence have not been conducted to address the root causes of these factors (ineligibility and failure to provide down payment). This is one of the gaps that this study will fill. The World Bank (2018) is worried that without available and affordable housing financing solutions, the LIEs may not be able to secure housing-loan for a decent home, especially for a country like Malaysia that depend majorly on banks for a housing loan.

Mohammed, David, and Seow (2012) and Chua (2015) identified application to the wrong bank, low application score, unfavourable credit score, denied due to credit rule, bad status in central credit reference information system (CCRIS), de-cheque, bankruptcy, debt service ratio exceeded, employment history, not submitting the "right" income documents, and other required documents among others as the reason for a housing loan rejection. Almeida, Campello, and Liu (2006) asserted that LIEs often finds it difficult to obtain a housing-loan as many cannot afford to pay the down payment and present eligibility pay slip as evidence of regular salary earner. Bakhtyar et al. (2013) affirmed the failure of many families' eligibility to housing loan because of greater underlying problems of poverty, low wages, and unemployment.

The Real Estate and Housing Developers Association (REHDA) claimed that housing loan rejection application is on the average of 50% and above (Aruna, 2016). According to REHDA, the major reasons are: applications that exceed the applicant's debt service ratio, failure in the central credit reference information system (CCRIS) assessment, insufficient income among others. While Bank Negara Malaysia (BNM) reports that in the 1st five months of 2017, RM40 billion of housing loans were approved to more than 152,000 house borrowers. Three-quarters of these borrowers were first-time house-buyers. The approval rate for housing loans had been stable at 74%, an indication that the rejection rate is about 26% (Sze, 2017). This paper raises the

following question: What percent of this first-time house buyers are LIEs? Several attempts to obtain the breakdown of only LIEs approved housing loan from BNM proved abortive. Thus, secondary data of the approved affordable housing loan from the BNM website was compiled and presented in Table 2.

Calem and Watcher (1999) and Avery, Calem, and Canner (2004) identified the local situational factors as factors for default risk such as neighbourhood housing market conditions, unemployment status, marital status, credit history, age, the location of the borrower, whether joint or single account, may contribute to default risk. While Abdul-Aziz et al. (2018) postulated that various trigger events such as divorce, loss of a job, and an accident or sudden death influence the default behaviour of the borrower. Housing loan rejection is a worldwide encumbrance, in the USA, Wallison (2009) identified income, employment, credit reports, residence status, project status, documentation, finance margins, property value, as factors that affect home loan eligibility. Igan and Kang (2011) reported that tightening of LTV as one of the major basis for house-loan eligibility criteria to curtail expectations and speculative incentives as experience in Korea. In America, some LIEs are not able to make the 10% down payment, the government does intervene in form of subsidies in most cases, same as United Kingdom (UK) housing market (Shain, 2017), same as Hong Kong (Hong Kong Census and Statistics Department, 2017), the same as Singapore (Phang, 2018), and in Austria (Forrest, 2018). While Micco, Parrado, Piedrabuena, and Rebucci (2012) reported that Chileans too face similar hindrance. High rejection rate is not peculiar to Asia and developed countries. In Africa, only about 3% can afford a mortgage while in Kenya only about 11% can earn enough to support a mortgage (Kieti & K'Akumu, 2018).

Justification for this study

After several studies on the inaccessibility of LIEs to housing loan in Malaysia yet LIEs cannot access housing loan, hence, the need to explore the root causes and possible solutions from the field participants. The general term used frequently by past scholars is "ineligible," most times the reason(s) for the ineligibility is left hanging. Although few attempts have been made, for example, Yusof et al. (2010), Tan (2012b) but findings inconclusive based on the reviewed literature. While Abdul-Aziz et al. (2018) attempted to address the issue of ineligibility regarding housing loan with inadequate evidence. Whilst Mohd-Rahim et al. (2019) suggested further studies to establish a strategy that can improve LIEs homeownership. This is what this paper intends to achieve. In the aspect of down payment, few scholars, for example, Hashim (2010), Tan (2012b), Tan (2012b), Loong (2013), and Paramesran (2013) have attempted to discuss the concept "down payment" but was not all-inclusive in terms of proffer solutions to mitigate them. Tan (2012b) and Loong (2013) only identified down payment as a hindrance to LCH. Whilst Paramesran (2013) attempts to describe down payment in the context of LCH in Malaysia as the initial upfront portion of the total amount.

Over the years, the Malaysian Government have been providing housing finance in form of subsidies for affordable housing but majorly tailored to Type B and Type C affordable housing; whilst the Type A (LCH) is left in the dilemma. For example, MyDeposit scheme target M40 first-time house buyers to pay the deposit, limit to 10% of the house price or a maximum of RM30,000, for houses less than RM500,000. Same

applied to MyFirstHome, this assists the young first-time house buyers that earned less than RM3,000 a month to obtain 100% financing to buy a home costing RM100,000 to RM220,000 (Tan, 2016). It has become obvious that attempt by the government to address this issue has not yielded positive result possibly because of the absence of feasible policy solutions to address the loan housing needs of the poor and disadvantaged in the society. This justified the need for this paper to explore the root causes and proffer possible policy solutions from the stakeholders that would facilitate housing purchase by the LIEs.

The theory that informed this paper

This section discusses the theory that supports the framework of this paper to improve access to housing loan in Malaysia. The study adopted the Public Interest Theory of Regulation. The theory was developed by Arthur Cecil Pigou (Pigou, 1932). This theory is well thought-out as a symbol that represents the interest of the public (LIEs) in which it operates rather than the private interests of the regulators (Governments) themselves. Public Interest Theory of Regulation demonstrates that regulation is practiced for achieving collective aims. This theory explains government regulatory intervention in markets as responses to market failures, monopolistic market, and externalities to maximise social welfare (Hantke-Domas, 2003). Also, it argues that regulation promotes the general welfare and an antidote to control the monopolistic tendencies, for example, housing developers. Among the authors that perceive regulation theory as a positive theory is Hertog, Broersma, and Van-Ark (2003), Ndubueze (2009), and Iheme (2017). In the study of Ndubueze (2009) and Iheme (2017) that addressed how LCH can be provided for LIEs in Nigeria, Public Interest Theory of Regulation was adopted; hence suitable for this study. One of the distinctiveness of this theory is the conviction that it is for the "public interest," thus, applying this theory to improving access to housing loan in Malaysia would mean that governments are indeed expected to mitigate encumbrances faced with access to housing loan to bare minimum via appropriate intervention and regulations through the implementation that delivers and enhance access to homeownership.

Figure 1 presents the study's framework of achieving improved access to housing loan. The issues that leads to high rejection of housing loan as reviewed from the existing literature, include: insufficient income, lack of creditworthiness, high default rate, fear of inability to recover loan and operating costs from the auction, repayment incapability, and bad status of CCRIS, lack of evidence of regular income and absence of collateral or guarantor among others can be addressed via government "people-driven policies" and regulation with public interest in mind. This indicates that the Public Interest Theory and Regulation supports the framework as presented in Figure 1 and form part of the contributions to the body of knowledge. This shows that with the right mortgage and policies and the necessary institutional framework for sustainability and coverage, accessing housing finance would be improved via government regulations. This is part of this paper's implication and contribution to the body of knowledge in the Malaysian context.
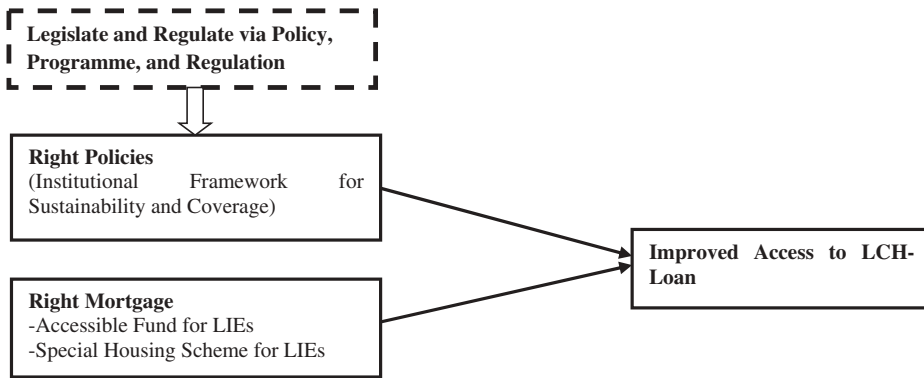
Figure 1. Proposed framework.

Research method

This study adopted the qualitative research approach because the problem has lingered on even with several quantitative studies conducted in this regard. Gummesson (2000) submission supported the reason for the qualitative approach adopted; he affirmed the need to focus on individuals' background, knowledge, and reasoning rather than on statistical analysis survey answers to real-life problems. While Denzin and Lincoln (2017) asserted that qualitative data have the benefit of locating meanings, perceptions, and assumptions that human being placed. This study adopted the phenomenology type of qualitative research design because it is deemed exploratory and descriptive in nature via collecting data from participants who have had the experience and would proffer panacea to the problem (Stysko-Kunkowska, 2014). While Creswell (2014) opined that qualitative research gives the researcher an opportunity to describe the lived experience regarding LIEs inaccessibility to housing loan.

Face-to-face semi-structured oral interview was conducted for the data collection. This was followed up with the validation, done through secondary sources (journals, newsprints, and government documents) (Maunganidze, 2013). The study adopted a snowball and purposive sampling technique. This is because they allow the research participants to recruit other participants and used where potential participants are hard to find. Whilst purpose sampling allows the researcher to select the participant best suitable (Creswell, 2014). MAXQDA 2018, qualitative data software was employed with support from the thematic analysis. Stysko-Kunkowska (2014) opined that thematic analysis is a method for identifying, analysing and reporting themes within data using a manual approach. Table 1 present the summary of the participants' description across the eight states that indicated interest and were interviewed across the country. Also, the participants were well selected to reflect the true picture of the practitioners across the spectrum and saturation was achieved. The participants rank, although full identity concealed in Table 1 indicates that those interviewed were considered as the authoritative officers and has authentic information about LCH in Malaysia. For example, Participant NGO1 contribution is often sought after in the Malaysian housing sector because it is the voice of the house buyers. Table 1 shows that S1 to S8 were the participants from the state government housing department, P1 to P9 were developers, B1 to B4 were bankers in house-loan section, and A1 to A3 were

Table 1. Summary of participant's description and locations.

ID	State/ Territory	Description (Before 09/05/2018)	Position
State Government Housing Department Staff (S)			
S1	State A	Eastern Malaysian state	Town and Planning Officer
S2	State B	State-controlled by the ruling party	Senior Executive, Project
S3	State C	State-controlled by the opposition	Chief Assistant Head
			Head of Assistant Secretary
			Senior Assistant Secretary
			Assistant Secretary
S4	State D	The state once controlled by the opposition party (2008–2013)	Assistant Chief State Secretary
S5	State E	State-controlled by the ruling party	Deputy Director
S6	State F	State-controlled by the opposition	State Government Secretary
S7	State G	State-controlled by the opposition	Executive Director
S8	State H	State-controlled by the ruling party	Senior Assistant Secretary
Housing Developers (P)			
P1	State C, E, & F	One of the top private developers in Malaysia	Assistant Manager (Sales and Marketing)
P2	State C	Private developer	Project Manager
P3	State H	One of the top private developers in Malaysia	Assistant Marketing Manager (Logistics)
P4	State G	One of the top private developers in Malaysia	Area Marketing Manager
P5	State G	Private Developer	Project Manager
P6	State F	Private Developer	Director
P7	State C	Private Developer	Director
P8	State D	Private Developer	Director
P9	State H	Private Developer	Engineer (Special Project)
Bankers (B)			
B1	State C	Commercial	Branch Manager
B2	State C	Commercial	Branch Manager
B3	State E	(Special Financing Scheme)	General Manager
B4	State C	Commercial	Customer Services Officer
Auctioneers (A)			
A1	State C	Housing	Director
A2	State C & E	Housing	Principal Partner
A3	State E	Housing and others	Senior Auctioneer
Estate Valuers/Property Consultants (E)			
E1	State E	Property Consultant	Director
E2	State C	Property Consultant	Principal Partner
E3	State C & E	Property Consultant	Senior Partner
E4	State C & E	Property Consultant	Valuation Manager
E5	State C	Property Consultant	Principal Housing Reviewer
E6	State C	Property Consultant	Director
E7	State C & E	Property Consultant	Senior Estate Planner
E8	State E	Property Consultant	Director, Research & Planning
			Senior Manager
			Research Analyst
Non-Governmental Organisation (NGO) in Housing Sector			
NGO1	State E & G	House Buyers Association	Top Official
House-Owners (H)			
H1	State E	Salesman (Private Organisation)	
H2	State E	Clerk (Government Organisation)	
H3	State C	Typist (Government Organisation)	
H4	State C	Ass. Driver (Private Organisation)	
Tenants (T)			
T1	State E	Salesman (Private Organisation)	
T2	State E	Store Owner	
T3	State C	Store Owner	
Total Number of Participants		**40**	

auctioneers involved in LCH auction. Also, E1 to E8 were estate valuers/property consultant, NGO1 was the participant from a non-governmental organisation involved in LCH related matter, H1 to H4 were LCH house-owners, and T1 to T3 were LCH tenants. The description column reflects the political position of the country before the 14th Malaysian general election, held on 9 May 2018 because the oral interviews were conducted between May 2017 to November 2017. The reason for the inclusion of the "descriptive column" is because LCH provision involves political decisions and some of these states political status have changed from the last election results declaration.

This paper considered this to be the best method because it allowed the participants to highlights the root causes and proffer pragmatic panaceas to mitigate this long time problem. A pilot oral interview was conducted with three participants within the sub-sample study area before the main study oral interview sessions. The oral interviews were conducted for seven months and each interview took about 90 and 120 minutes. Creswell (2014) affirmed that in a qualitative study, the researcher should be able to demonstrate that the study is credible. This present study is a real-life situation, hence adopted a mixed-validity approach to demonstrate credibility. First was the triangulation. This allowed the researchers to search for convergence among multiple and different sources of information to form themes or sub-themes. The second was the member checking, allowing the participants to validate the transcriptions via verification and being transcribed. The final was peer debriefing, this allowed the researchers to reach out to an independent expert in the study area to review the data and the research process adopted. The data were subjected to thematic analysis, guided by prepared interview themes, questions began on a general note before pursuing more specific queries based on the responses of the participants. The study adopted themeing, narrative, invivo, emotion, and attribute coding strategies. A total of 80 codes were derived and sorted (categories) based on reference, occurrence, frequency, and relationship. The study derived 14 categories from the 80 codes. From the 14 categories emerged three themes. The themes and connection are the main results of this study. The results are reported and discussed in detail in the next section.

Results

The root causes and suggested mechanisms to mitigate inaccessibility of LIEs to housing loan in Malaysia have been identified through the conducted fieldwork. The findings are presented under three themes, which include level of housing loan rejection, root cause of LIEs housing loan rejection, and possible policy solutions as follows:

Theme one: level of housing loan rejection

Theme One "level of housing loan rejection" offers the participants platform to give their perception of the level of housing loan rejection in Malaysia. Although housing loan rejection is a global burden, findings show that several conflicting figures emerged from the oral interviews. The state government housing department participants put the rejection rate at about 70% from their experience of eligible LIEs house buyers that approach the banks for housing loan (S3, S6, & S7). State C, G, and H respectively are among the few states that subject the intending house buyers application to verification at the state housing department level and certify that the applicants are eligible for LCH. This indicates that the government is aware

Table 2. Approved and outstanding housing loan from 1996 to 2015.

	Housing Loan in RM (Million)			Percentage (%)		
Year	Approved (Series2)	Outstanding (Series4)	Total Application	Approved (Accepted)	Outstanding (Rejected)	Total
1996	17,281	43,825	61,106	28.28	71.72	100
1997	22,407	50,156	72,563	30.88	69.12	100
1998	11,369	76,100	87,469	13.00	87.00	100
1999	23,566	83,714	107,280	21.97	78.03	100
2000	28,271	96,300	124,571	22.69	77.31	100
2001	32,117	111,176	143,293	22.41	77.59	100
2002	34,965	126,880	161,845	21.60	78.40	100
2003	35,931	145,795	181,726	19.77	80.23	100
2004	42,520	164,280	206,800	20.56	79.44	100
2005	43,601	180,109	223,710	19.49	80.51	100
2006	40,246	198,663	238,909	16.85	83.15	100
2007	56,958	212,923	269,881	21.10	78.90	100
2008	68,425	232,851	301,276	22.71	77.29	100
2009	69,254	250,110	319,364	21.68	78.32	100
2010	88,319	266,116	354,435	24.92	75.08	100
2011	97,260	299,660	396,920	24.50	75.50	100
2012	99,290	334,413	433,703	22.89	77.11	100
2013	124,230	375,240	499,470	24.87	75.13	100
2014	129,051	426,800	555,851	23.22	76.78	100
2015	115,730	478,178	593,908	19.49	80.51	100

Source: Modified from Bank Negera Annual Report from 1997 to 2016

of high rate rejection. While the banks' participants say the rejection is about 40% (B1 & B2). This paper triangulated with secondary data to come up with the probable rejection rate of housing loan in Malaysia. Table 2 presents the approved and outstanding housing loan from 1996 to 2015. From Table 2, the highest average percent approved is 30.88% from the year 1996 to 2015, and this took place in the year 1997. Findings from the state government housing department participants agree with the secondary data collated from BNM, indicating a validation of the oral interview findings of 70% rejection rate. This indicates that the state government housing department staff are in a neutral position to know the level of rejection because they are in between the banks and the house buyers. These house buyers after clearance from the state housing department, report the true position of the bank back to the state government housing department. Also, findings from the study show that in State E, the government gave approval for 45,357 units of PPR and PA (Public Housing is also known as Perumahan Awam) in May 2017 to be sold out with priority given to the present tenants, out of these, 29,219 had interest from potential buyers. And out of these 29,219 units, 16,372 were sold (about 56%), 12,847 units were unsold because of unapproved loan application (S5 & B3). The percent increased because a majority of the applicant accessed their house-loan from Syarikat Perumahan Wilayah Persekutuan (SPWP). Presently, evidence from the study shows that SPWP is faced with the challenge of an insufficient fund and the coverage is insignificant (6%), only one territory from three territories and 13 states. How can we meet up with homeownership for all with this level of approval knowing well that the major source of finance for LIEs house buyers is housing loan through the financial institution?

Theme two: root cause of lies housing loan rejection

Theme Two is the "Root Cause of LIEs Housing Loan Rejection in Malaysia." This is the major severe issue surrounding the purchase of LCH in Malaysia (NGO1, B1, B2,

A2, & E8). This theme gives the participants a platform to identify the root causes of reluctance by banks to lend housing loan to LIEs. It is necessary to state here that house buyers rejected at this stage have been certified to be eligible for LCH at the state government housing department level regarding the state waiting list for states that subject their applicants to screening. Participants (B3, NGO1, A2, and E8) say that most LIEs are ineligible to secure housing loan. The term "ineligibility" is a term used by the financial institutions to disqualify house buyers that applied for a housing loan. Participants (NGO1, E3, E8, B3, S3, S7, P6, & S8) say that many LIEs who are eligible at the state government level yet ineligible to secure a housing loan when they approach the bank. Findings show that some officials in charge at the state government level do not give attention to Employee Provident Fund (EPF) payslip or Central Credit Reference Information System (CCRIS) because of lax state LCH policy and enforcement, hence create chances of high disqualification from the banks. Findings show that the root causes of LIEs ineligibility are insufficient income, lack of creditworthiness, high default rate, fear of inability to recover the loan and operating costs from the auction, repayment incapability, and bad status of CCRIS (S3, S7, S8, B1, B2, & B4). While NGO1 identifies lack of evidence of regular income and absence of collateral or guarantor. Others are high default rate within LIEs and lack of proper documentation (B4) while some LIEs see housing provision as a right from the government (entitlement mentality) (S3, S7, S8, NGO1, & E8).

Participant B1 says "...... *down payment is global practice to protect banks.......*" While H1 says he almost forfeit the housing loan because of the inability to provide the 10% down payment after the approval from the bank but his uncle intervened. Many house buyers from the LIEs category are left in the dilemma without assistance even after approval by the bank. Participant B4 says, "*.... I will prefer to go after one big fish than after small 7 fishes....*" This is the perception of majority of the bankers because they are there for profit making. Participant E3 says: "*Bank AAA (name withheld) and Bank (BBB) name withheld are ready to pay charges than to give housing-loan to LIEs*," but rebuffed by one of the banker's participant bank name mentioned. Viewpoint from participant E3 says:

> *My developer's friend constructed 300 units of LCH in location X in State C. The people there were happy as they were keen to purchase the houses, earning about RM1,100 per month yet not qualified to get the loan. In the end, the developer cried and so did the intended purchasers*(Participant E3) ... ."*How affordable is affordable housing if the LIEs cannot access housing finance to purchase LCH*?" (Participant E5).

In the opinion of the banker (B1) regarding down payment, B1 says:

> *Nothing we do that's a scam, they are all genuine operation, down payment is global practice to protect banks. You don't expect me to approve ineligible person that cannot afford to make 10% payment, I will be adding more to the person's problem in future, that's the truth.*" ... .Participant H1 says, "*after the news of the approval of my housing loan application ... .I was happy not until I was told to deposit 10% cash which was not available. My uncle assisted me, if not, I would have missed that housing loan.*"

There are many in the category of HI without financial buoyant relatives to come to their assistance. Whilst participants (NGO1 and E3) is worried that government establishment such as Raykat Bank, State Economic Development Corporation among others set up to assist the poor and disadvantaged are majorly into a profit-making business.

Participants (T1, T3, H4, E5, & E6) accuse BNM of lax enforcement towards commercial banks in granting of housing loan to LIEs. While S8 believes that lack of information is a challenge to the LIEs, for example, not having the necessary document for loan application.

Theme three: possible solutions

Theme Three gives the participants podium to proffer policy solutions that can alleviate reluctance by banks to lend to low-income house buyers in Malaysia. It is obvious from the reviewed literature and findings from the paper that improved access to housing loan in Malaysia can be achieved via "people driven policies" (Public Interest) and stringent regulation "Regulation" to the concerned stakeholders. This is in line with the employed theory (Public Interest Theory of Regulation) to improve access to LIEs housing loan. Participants across the board agree that existing policies need to be modified and new regulations allowed so that coverage, accessibility, and sustainability of housing loan in Malaysia can be achieved. Findings show that the federal and states governments should set up a housing loan scheme for LIEs only across the country (E3, E4, E6, P8, P9, B3, S7, & S8). This finding is one of the novelties and appreciated by the policymaker during the presentation of the study's findings to the Malaysian Housing Ministry Team, where only households with less than RM2,500 monthly income can access housing loan with relaxed conditions across the country. Participants (B3, S5, & H2) says SPWP should be empowered to expand across the country so that the LIEs can access housing loan. This is a welcome development for the LIEs if finally implemented, making LIEs homeownership a reality as against a dream not achievable. While viewpoint from NGO1 and S7 opine that the government needs to intensify subsidy policy for the poor in line with global standard in countries that have succeeded in LCH provision. Participants S7 and S8 suggest that the government should strengthen rent-to-own via independent agency because the scheme does not involve a large sum to become a house owner. Also, findings show that self-employed person should be encouraged to enrol with EPF, and EPF Account II should be reviewed upward from 30% to 50% for the purpose of making a down payment (S8, NGO1, & B4). Participants (S3, S7, E5, E6, P9, & NGO1) suggest an upward review of LIEs income to RM1, 500 minimum to enhance the chances of being qualified, although this a moot point. Viewpoint from NGO1 and E8 opine that government established organisation to serve the poor and disadvantaged such as the State Economic Development Corporation, Bank Rakyat among others should redefine their operation and align with their primary responsibility to serve the people.

Discussion

Findings from Theme One shows that the level of LIEs housing loan rejection is about 70%. It is obvious that rejection rate is not less than 70% as shown in this study and agrees with Aruna (2016) and Ng (2017) claimed with insufficient evidence, which this paper has provided. The scholars asserted that REHDA assessment of rejection rate by banks can be as high as 73% but without evidence of their reports while supporting evidence has emerged from this study, as part of the contribution to knowledge. This paper finding is difficult to reconcile with Kamal et al. (2019) that found issues such as earning capability, allocation of household income, ability to borrow and pay their housing loan among others, are suffered

by the middle-income group more whilst the LIEs housing needs have been addressed by the government. Findings show that the state covered by Kamal et al. (2019) had one of the highest waiting lists and an applicant will have to wait at least five years. Also, the finding is difficult to reconcile Sze (2017). He found that in the first five months of 2017, RM40 billion of housing loans were approved to more than 152,000 borrowers and BNM claimed that the approval rate for housing loans had been stable at 74%; indicates that the rejection rate is about 26% according to BNM. The following question is raised: How many from the 74% constitute the LIEs? This has strengthened the argument that middle and low-middle income earners are the major beneficiaries of the housing loan scheme tailored to affordable housing. The need for special housing scheme is germane to improving LIEs homeownership. Whilst the Penang State Assembly Joint Motion calls for the issue of high rejection to be addressed via the Chief Minister of Penang State Government to the Prime Minister (S3).

This study finding agrees with Tan (2012b), Loong (2013), Bakhtyar et al. (2013), Paramesran (2013), and Abdul-Aziz et al. (2018). The authors opined that low-income, poor credit history, and lack of collateral are the major root causes of reluctance by banks to lend housing loan to LIEs. Findings also agree with Abdul-Aziz et al. (2018). The authors identified a case of unwillingness to service the loan. The second major issue that emerged is the banks unwilling to lend housing loan to LIEs because of inability to make down payment. Down payment is the 10% of the amount that the house buyer should deposit to the bank before given the housing loan, to reduces the bank's risk to less than the value of the guarantee should the borrower default. Findings show that some officials in charge at the state government level do not give attention to EPF payslip or CCRIS, hence increase the chances of high rejection. Finding agrees with Abdul-Aziz et al. (2018). The scholars averred that some states government LCH eligibility clearance for LIEs is possibly relaxed. This is one of the contributions of this paper because evidence emerged to support the claim that some states government LCH eligibility clearance for LIEs is relaxed in State B, D, & F respectively. The verification in these states is shoddy. Regarding some LIEs perception of LCH as a right, this was derived from government slogan "Home Owning Democracy Concept", translated to mean "One Democracy, One Home, and One Malaysian Household." Majority of house-buyers in this category feel that it is their right and part of government responsibilities to provide them home at no cost. Also, findings agree with BNM Press Release (2018) that suggested an online financial education module to be provided by the Counseling and Credit Management Agency for intending first-time house buyers who wish to apply for housing finance.

Finding agrees with Lens (2017) and Daily (2018). The former author suggested that subsidy policy should be given to the extremely low-income group to enable them to purchase a home. The latter author asserted that the two major parties manifesto (in the just concluded 14th Malaysian general election), emphasis the need for viable subsidies for LIEs. Findings show that subsidies are provided for affordable housing but tailored towards other types of affordable housing, such as MyDeposit scheme target middle class (M40) first-time house buyers to pay the deposit, limit to 10% of the house price or a maximum of RM30,000, for houses less than RM500,000. Similarly, for MyFirstHome, this assists the first-time house buyers that earned less than RM3,000 a month to obtain 100% financing to buy a home within RM100,000 to RM220,000 (Tan, 2016). The rent-to-own concept via independent manager that emerged from this finding is one of the novelties that have not

been explored by researchers in Malaysian housing sector. Two of the states covered are operating this but little or nothing have been scholarly reviewed about the concept. Some of the states are already at the incapacitated stage because of huge rental debts such as State C and D; saddled with RM17.4million (1US$ equal RM4.13) (S3) and RM27million of rental debts (S4) respectively. While State F have cases of 10 years of unpaid rent debt (S6). This should be adopted as a regulation across the country to mitigate high rental debts. This finding is supported by the adopted theory. The rent-to-own scheme is one of the best approaches to enhance homeownership in Malaysia. Finding agrees slightly with Nik-Mustapha, Abdul-Rashid, and Nasir (2011) that opined the need for intending housing loan seeker to have a meeting with the bank loan officer for details and requirement. This concept can educate self-employed with the amended EPF Act 1991 as amended 2012 (Act 452). Voluntary participation not covered under the law is strongly encouraged and eligible to participate in the Employees Provident Fund contribution. While Tan (2012a) affirmed that the wage desperation within the income earners and has resulted in poorest households and high housing loan rejection for this category of people. Also supported by Chie (2017) that reported that the ruling party plans to increase the minimum wage to RM1,500 per month. It was reported that before the 14th Malaysian general election, the then ruling party (Barisan Nasional) (now opposition) plans to raise the minimum wage in phases to at least RM1,500 within five years (Daily, 2018).

Conclusion and recommendations

This paper adds new evidence such as 70% rejection rate of LIEs housing loan house buyers with evidence, independent agency to manage the rent-to-own scheme as against being managed by the government, special housing scheme for only LIEs as against affordable housing scheme among others to the current body of knowledge as part of the contributions and implications of this paper. The study establishes that ineligibility and inability to make down payment by the LIEs are the major root causes of reluctance by banks to lend to LIEs. Based on the findings, the study concludes that the rejection rate of LIEs housing loan application is about 70% with supporting evidence. Therefore, financial governance reform in the Malaysian LCH policy is inevitable. The study proffers multifaceted pragmatic panaceas to mitigate these encumbrances. The setting-up of a special housing loan scheme across the states in Malaysia that can be accessible to only LIEs is one of the recommendations to mitigate inaccessibility. Also, the government should buy-up LCH in the auction and place them on a rent-to-own scheme to be managed by the independent agency. This would mitigate the issue of ineligibility because it does not involve any financial commitment from the LIEs end. The study recommends a minimum of RM1,500 income monthly for LIEs to enhance the chances of the LIEs to be eligible by being creditworthy to secure approval for housing loan from the mortgage. The informal LIEs (self-employed person) should be encouraged to enrol with EPF while the EPF Account 11 should be reviewed from 30% to 50% for the purpose of making down payment for a housing loan.

As part of this paper's implication, scholars should engage the main findings such as 70% LIEs house-loan rejection, independent agency to manage the rent collection, set-up of housing-loan mortgage for only LIEs, upward review of income per month to RM1,500, upward review of EPF Account II from 30% to 50% among others in further studies. Whilst

these empirical findings becomes an avenue for knowledge-based advancement regarding remedies to inaccessibility of LCH loan in Malaysia. This paper would stir-up the relevant government authorities as parts of the policy implications and pioneering the transformation of LCH so that low-income house buyers can gain access to homes in Malaysia. Also, the paper's framework and the supporting theory (Public Interest Theory of Regulation) can be further investigated to explain the generic relevance of remedies to inaccessibility of LCH loan in Malaysia via quantitative insight. The outcome will be discussing implications for urban cities policies that enhance homeownership for Malaysia's low-income group access to housing finance.

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