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How do Public Policies impact Housing Provision? An empirical study of housing in Surabaya, Indonesia

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Abstract. Effective instruments are important to implement planning so that resources remain efficient, and the environmental balance is maintained for sustainable urban development. It has been a global problem that housing provision is often delayed due to various significant factors, on the other hand, the housing backlog is increasing in many urbanizing countries, including Indonesia. Furthermore, it impacts the imbalance in the housing market. There have been many policies to solve this problem, but limited we know how those contributes. This article aims to examine the impact of public policies on housing provision by taking samples in Surabaya. We use content analysis as a qualitative approach to analyse how public policies are implemented and influenced the housing provision represented by seven related variables. The result shows that the current regulations of housing provision that are effectively implemented in Surabaya include housing mortgage, taxation, local government regulations¹. Meanwhile, other regulations or programs that are exist but has limited impact in Surabaya are the subsidized down payment program, liquidity facility for housing finance, and one million housing program. These empirical findings illustrate how public policies, both from the central government and local government, empirically affect the dynamics of the housing market, especially from the supply side. Further, we hope that these findings contribute to the global knowledge of housing provision in emerging countries and local housing practices in Surabaya, Indonesia.

Keywords: public policy, housing provision, Surabaya

1. Introduction

One of the SDGs targets: Sustainable Cities and Settlements remains a challenge to be achieved in Indonesia considering the increasing backlog. Based on the National Medium-Term Development Plan 2015-2019, it is estimated that the national backlog is at 6.8 million units. In East Java Province itself, the housing backlog figure was 27.369 households in 2019 based on East Java Province Uninhabitable

¹ Local Government Regulation refers to Peraturan Daerah Kota Surabaya Nomor 7 Tahun 2009 Tentang Bangunan, Peraturan Daerah Kota Surabaya Nomor 8 Tahun 2018 Tentang Rencana Detail Tata Ruang dan Peraturan Zonasi Kota Surabaya Tahun 2018-2038, Peraturan Walikota Nomor 14 Tahun 2016 Tentang Tata Cara Penyerahan Prasarana, Sarana dan Utilitas Pada Kawasan Industri, Perdagangan, Perumahan dan Permukiman Kepada Pemerintah Daerah



Houses data 2019. Meanwhile, based on the Surabaya Regional Medium-Term Development Plan 2010-2015, the backlog in Surabaya reached 58.693 units in 2011. The backlog phenomenon, both nationally and regionally indicates that there is an imbalance between the number of housing available and the demand for housing. This phenomenon describes the problem of housing implementation in Indonesia in general, that is the problem of people's affordability of decent housing. The disparity between supply and demand for housing is at the root of the problem of affordability. This is influenced by various factors, such as the high rate of population growth and high urbanization in urban areas but not balanced with the provision of decent housing [1].

Housing developers in Surabaya perceive this situation as a great opportunity to present residential products in Surabaya housing market where people's needs for landed housing tend to increase [2]. Surabaya is a large city with population of 2.904.751 people and a population growth rate of 6.3% [3], this pushes the level of housing demand, especially landed housing, becomes higher every year. As contained in Surabaya Housing Development Plan Document 2016-2036, the problems in the implementation of housing and settlements in Surabaya includes the unavailability of comprehensive and up-to-date guidelines related to housing and settlement development and planning policies. In addition, the high demand for livable houses in the form of landed housing and vertical housing is also a problem. The uncontrolled price increase and the scarcity of land in Surabaya make it difficult for middle and lower-class residents to find housing with decent size and ownership status. To overcome these problems, the role of local and central government is needed.

Policies and programs to support the provision of affordable housing have been enacted by the central government and the local government. These are formed as developing incentive regulations, increasing housing supply, improving the physical quality of uninhabitable houses, and empowering communities through the construction of self-help housing [4]. Balanced Residential Environment Policy, Million Houses Program, 0% Down Payment Program, Mortgage, Housing Finance Liquidity Facility, and so on are forms of policies and programs that have been implemented in various cities in Indonesia, including Surabaya. Balanced Residential Environment Policy is an inclusionary housing policy issued in national level and enacted in local government level. Residential areas should be built in a balanced manner with a certain composition in every 1 luxury house there should be balanced with 2 medium houses and 3 simple houses. Million Houses Program is national strategic program aimed at increasing the fulfillment of livable housing needs. While the target of this program is to increase the contribution of fulfillment the need for livable houses through the construction of self-help houses, special houses, providing housing infrastructure, facilities and utilities assistance government. 0% Down Payment Program is in contrast to a 0 Rupiah down payment, Bank Indonesia (BI) applies exemption rules down payment or 0% down payment for Home Ownership Loans (KPR). The main requirement in order to get a 0% DP mortgage, the bank must have a non-performing loan ratio (Non-Performing Loan/NPL) less than equal to 5%. Mortgage/ Home Ownership Loans (KPR) is financing products or loans provided to home buyers with a financing scheme of up to a certain percentage of house or property price. Housing Finance Liquidity Facility is support housing financing liquidity facilities for low-income communities in the first home financing framework whose management is carried out by the Ministry of Public Works and Spatial Planning.

However, in the implementation of the policies for the housing provision there are often obstacles, including a complicated, non-transparent, high cost, and take a long-time licensing process, the availability of land that is increasingly scarce and expensive, lack of infrastructure support, as well as weak land price control due to the absence of price control instruments [4]. Therefore, it is necessary to evaluate the policies and programs for housing provision that has been implemented in Surabaya so far.

The evaluation will later provide valid information about policy performance or even be able to contribute to new policy alternatives. One of the evaluation criteria is effectiveness, where effectiveness is a criterion that questions the results of the achievement of a policy so that the output obtained is knowing how far the policy is influential [5]. A previous study conducted to test the effectiveness of housing provision planning with a sample in Surabaya, showing the effect of variables

in form of housing supply factors towards time required to provide housing [6]. The research variables focus on the factors of housing supply including land area, building area, land value, land value increase, property price, and property tax on the time required. It shows that the factors of land area, land value, and the percentage increase in land value affect the duration of housing provision. Unfortunately, this study had not included policies or instruments as factor in housing provision planning to complete the fulfillment of the backlog. Therefore, this study will focus on knowing how far the impact of housing policies towards housing provision in Surabaya based on research question: in what extent does the housing policies and programs impact housing provision? The target of this research is to identify and map the form of housing policies and programs implemented in Surabaya.

2. Methods

The method used to answer this study's research question is qualitative content analysis. Content analysis uses an in-depth discussion of the contents of written (mass media) or unwritten information (interviews). The content analysis method is carried out through symbol coding, namely systematically recording symbols or messages, then interpreting the results. Content analysis can also be interpreted as a method that includes all analysis of the content of the text, but on the other hand, content analysis is also used to describe a specific analytical approach [7].

Content analysis use in this research will determine which policies and programs impact the housing provision in Surabaya by mapping each policies. It is also known the reasons why each housing policies are implemented or cannot be implemented in Surabaya.

The first step of content analysis is interviews with stakeholders that were determined using the semi-structured interview method. In this study, the relevant stakeholders include local official, developer association, private developer, public developer, and academics. The topics of the interview are about the implementation of housing policies toward housing provision factor consisting of house prices, land area, building area, land values, land value increases, and property taxes. It was also asked about each housing policies include mortgage, balanced residential environment policy, 0% down payment, housing financing liquidity facility, and million houses program implementation, especially in Surabaya.

Table 1. Identity of Content Analysis Respondents

Respondent	Affiliation	Position	Role in Housing Provision
Local Official	Surabaya Department of Public Housing and Settlement Areas, and Land Affairs	Staff of the Department	Permission Licensing
Developer Association	Real Estate Indonesia of East Java	REI Member / President Director of Kingsland Development	Planning, Permission Licensing, Implementation
Private Developer	Developer (PT. YEKAPE)	Planning and Development Manager	Planning
Public Developer	National Housing Development Public Company	Marketing Expert	Marketing
Academics	Radboud University	Ph.D. Researcher on Housing and Land Management	Researching, Planning

After the interview, transcription is carried out to then analyze every word spoken by the stakeholders. Every word contains a keyword should be underlined/highlighted so that it could be determined what information is given. Then grouping each keyword based on the topic (housing

provision factors or each housing policies) using table. The output of the tabulation of each topic is to conclude all stakeholders input as the result of the analysis.

Table 2. Content Analysis of Housing Policies Implementation in Surabaya

Stakeholder	Indicate		Validation
	Implemented	Unimplemented	
(Stakeholder Code)			
(Stakeholder Code)			
(Stakeholder Code)			
Output :			

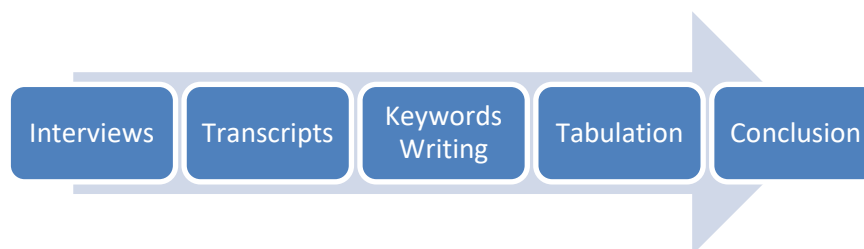


Figure 1. Content Analysis Steps

3. Result & Discussions

The conclusion that can be drawn from the content analysis is that by mapping of housing provision policies there are widely and poorly implemented housing policies in Surabaya. This is because every policy and program for housing provision is implemented nationally and not adapted to the geographical conditions of each region. In addition, housing developers in Surabaya are no longer targeting the lower middle class as their target market instead they are focusing on middle and upper class, so the policies such as 0% Down Payment, Housing Finance Liquidity Facility, Balanced Residential Environment Policy, Million Houses Program are not fully implemented. The high value of land is also one of the reasons why some housing policies are not implemented in Surabaya. There is still no policy that controls house prices, land area, building area, land value, and the increase of land value in Surabaya, making the housing providers still based on the market conditions to develop a housing.

Nevertheless, there are still popular housing policies applied in Surabaya. One of them is housing mortgage, well-known as KPR program. Mortgage is a program that has existed for a long time and has been proven to help housing consumers to own a house on credit. Then the policies that regulate house taxation are also implemented by both housing providers and consumers. The programs that are aimed at reducing the consumer's tax burden are in the form of incentives such as incentives for being free of Value Added Tax/ Acquisition Duty of Right on Land and Building also incentives for tax relief. However, in terms of providing housing, the tax relief incentive has no impact because its function is not to reduce the tax on the new houses. Furthermore, policies in form of Local

Government Regulations are still being applied as regulations for issuing permits to establish housing. Then regarding the value of land, previously there was a Team 9 program which is no longer enforced, but currently, Surabaya has the Land Appraisal Professional Society (MAPPI) as a determinant of land value, not land prices.

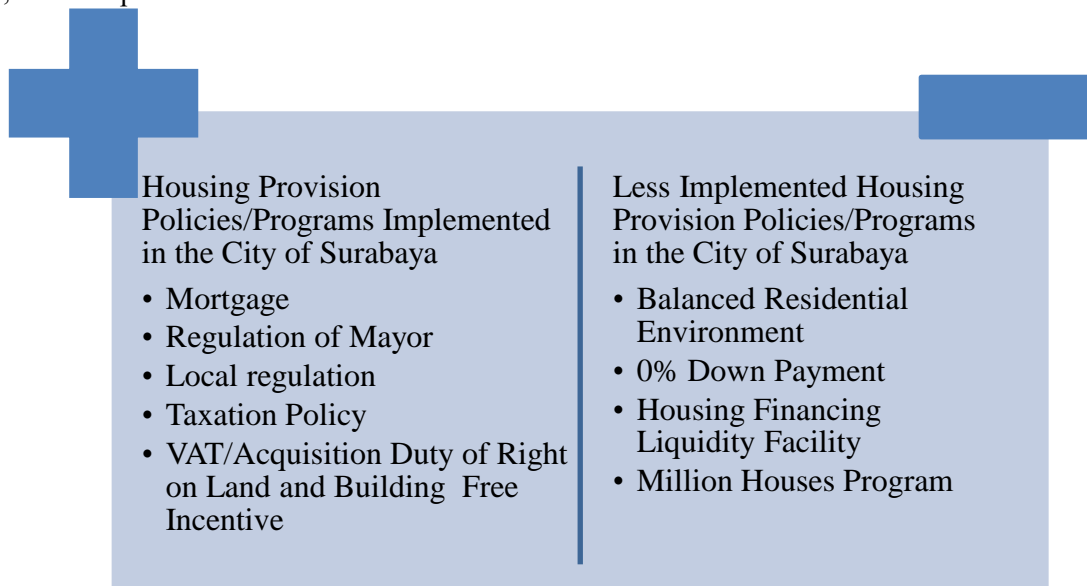


Figure 2. Implementation of Housing Provision Policies in Surabaya

The reasons why housing policies are poorly implemented in Surabaya based on the results of stakeholder interviews are collected based on each programs. The main obstacle to implement Balanced Residential Environment and Housing Financing Liquidity Facility is not much different, it is because the provision of subsidized housing prices which cannot be met by the housing market in Surabaya due to high land prices and house prices. While the 0% Down Payment program is not widely implemented because it is considered too risky to cause non-performing loans (NPL) during the installment process. Down payment is considered as a measure of the seriousness of a home buyer to show his ability to buy a house. The One Million Houses Program is also hampered by its implementation in Surabaya because housing developers in Surabaya are unable to meet the prices according to the provisions of subsidized housing. We describe it in a scheme below (Figure 3).

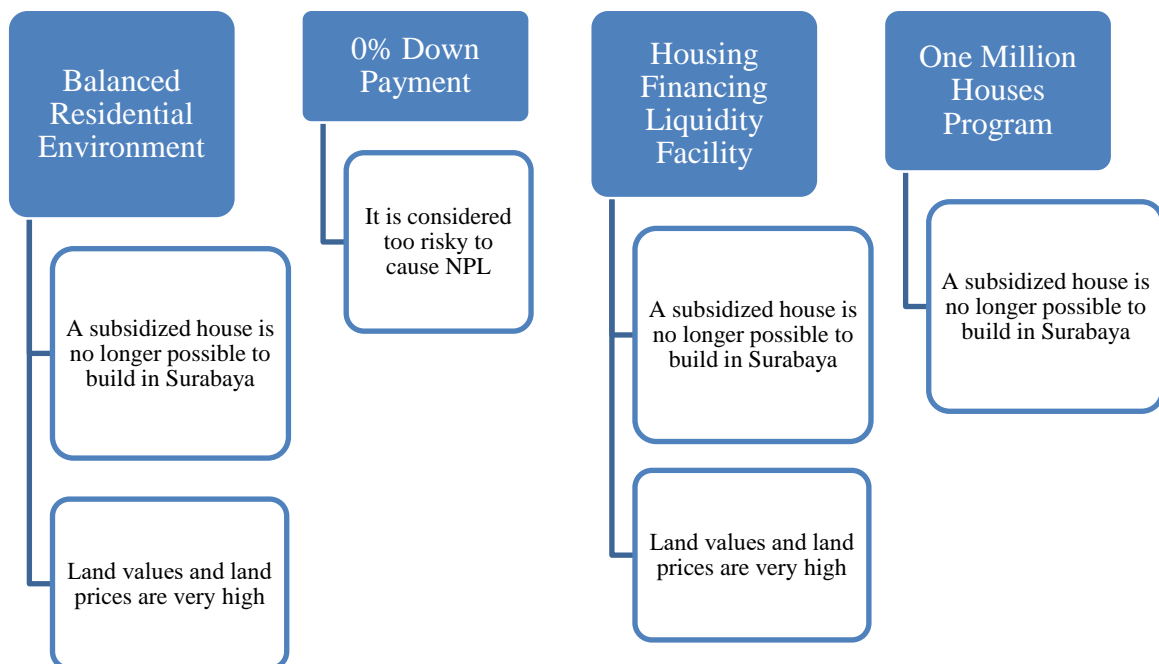


Figure 3. Scheme of Programs and its why factors to be ineffective to implement

How do the findings of this article relate with previous research?

Housing policy is a complicated system that affects the market environment and the use of non-market tools to resolve the housing problem of the largest segments of the population [8]. One of the questions asked on the determinants of zoning is whether local governments set zoning laws aim to maximize the land value. Based on a sample of parcels for Kings County, WA, zoning allocations tend to decrease parcels zoned price for large lots, proofing that zoning leads to an oversupply of large minimum lot sizes. More generally, it finds that land values would be higher under different zoning designations. Therefore, it concludes that, based on the sample, zoning does not “follow the market”. Also a sample of home sales in Santa Clara County, CA, Pogodzinski and Sass (1994) it found that land use designations do not impact house values, inferred to that this type of zoning does “follow the market.” By contrast, minimum lot sizes, minimum side-yard restrictions, and maximum height restrictions do impact house values, inferred to that these types of regulations do not “follow the market.” To conclude, this early work has generally found that zoning regulations do not purely mimic the outcome that would result from an unregulated market [9]. A reasearch by Ortalo-Magne and Prat prove that a homeownership subsidy makes homes less affordable. Without any constraints on new construction, the subsidy would not affect affordability because it would be exactly balanced by an increase in house prices. Nevertheless, the subsidy trigger the median city resident to own more housing, it leads to more opposition to city growth. It is therefore the reduction in permitted new construction that raises equilibrium house prices and reduces affordability [9]. Study by Chiuri and Jappelli using microeconomic data on 14 OECD countries, find strong evidence that availability of mortgage finance (as measured by down payment ratios) affects home ownership rates across age groups, especially at the younger end [10].

It implies that enacted policies are not always effective to support affordable housing, including spatial related policies. The findings of this article relates to the previous research in a manner that housing public policies need to be constantly reviewed and adjusted to the current problem existed.

4. Conclusions and Recommendation

In this study, it was found by mapping of housing provision policies there are widely and poorly implemented housing policies in Surabaya. The current implemented housing provision policies in Surabaya include mortgage, Local Government Regulations, and Taxation (Tax Added Value, Income Tax, Acquisition Duty of Right on Land and Building). Meanwhile, the subsidized Down Payment program, Housing Financing Liquidity Facility, and One Million Houses Programs are still poorly implemented because they are targeting the procurement of subsidized houses which are difficult to reached by the high cost of land in Surabaya. The government is still unable to arrange a regulation in form of policies that control house prices, land area, building area, land value, and land value increases.

Future studies are suggested to examine or evaluate the influence or impact of government-orchestrated housing policies and programs, which are limited by law only to low-income groups, on the provision of subsidized housing. Furthermore, if the study targets the formal housing market, then policies and programs can be extended to three supply-side interventions (access to land, infrastructure and services, building materials and the construction industry) as well as three demand-side interventions (property rights, access to finance, subsidies), as well as institutions.

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