

# Characteristics Of Beneficiaries And Challenges Of The BP2BT Program Implementation In Supplying Affordable Housing For Informal Low-Income Community In Indonesia

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**Abstract:** [Title: Characteristics of Beneficiaries and Challenges of The BP2BT Program Implementation in Supplying Affordable Housing for Informal Low-Income Community]. Indonesia is still experiencing a high backlog of 7.6 million housing units. To reduce the backlog, in 2018 the Government implemented the BP2BT (Bantuan Pembiayaan Perumahan Berbasis Tabungan / Saving Based Housing Financing Assistance Program). This program was a housing finance assistance scheme for low income people particularly for Informal Sector that had savings to meet a portion of the down payment to buy or to construct their own house by housing credit (Kredit Kepemilikan Rumah or KPR) from the Bank. This research aims to determine the socio-economic characteristics of the beneficiaries and to examine the challenges of implementing BP2BT in responding to housing problems for Informal Low-Income Community. The research uses a case study research method. The Province of Central Java was selected as the unit of analysis of the case study. The results showed that most of the beneficiaries of the BP2BT Program were formal Low-Income Community with regular income, Informal Low-Income Community still have not received the BP2BT Program, because Informal Low-Income Community do not have a fixed income, are unable to repay credit in the long term (15-20 years) and are constrained by the requirements for applying for KPR Submission from the Implementing Bank.

**Keyword:** BP2BT (Saving Based Housing Financing Assistance Program), Formal Low-Income Community Formal, Informal Low-Income Community, KPR (Housing Ownership Credit) Submission, Backlog, Housing , Province of Central Java.

## 1. INTRODUCTION

Law Number 1 of 2011 concerning Housing and Settlement Areas mandates that every citizen has the right to have a decent, healthy and safe house. Decent and affordable housing is one of the priorities in the implementation of housing in Indonesia. This is to ensure that Low-Income Communities (MBR) have equal access to housing ownership. MBR are people who have limited purchasing power, so they need government support to acquire or build houses. The 2015-2019 National Medium-Term Development Plan (RPJMN) prioritizes (a) providing housing for the people with the lowest 40 percent incomes with facilities for providing decent and affordable housing for 2.2 million households; (b) promote community and business community self-reliance in providing housing; and (c) improving the quality of uninhabitable houses for 1.5 million households, including slum areas. Based on the baseline in 2014, Indonesia still experienced a fairly high shortage of houses (backlog) of 7.6 million housing units (Ministry of PUPR, 2015). In order to fulfill the mandate of housing implementation policies and overcome the problem of limited housing, since 2015 the Government through the Ministry of Public Works and Public Housing (PUPR) has made various efforts to provide affordable housing provision and financing assistance programs for low-income families, namely: (a) construction of formal houses (rusunawa, rusunami, and special houses), (b) providing Self-Help Housing Stimulant Assistance (BSPS), (c) Facilitation of Housing Financing Liquidity (FLPP), (d) Installment Difference Scheme Program (SSA), and (e) provide Subsidiary with Interest Difference (SSB).

Some of these program schemes still need to be improved and expand the reach of their services. Therefore, in 2016 the Ministry of PUPR initiated an affordable housing program integrated with the World Bank called the National Affordable Housing Program (NAHP). This program emphasizes helping MBR to own a house and improve the quality of their housing through housing financing schemes, strengthening the implementation system for self-help housing programs, and encouraging reforms in development programs and policies for livable and affordable housing in Indonesia. One of the main components of the NAHP is the Savings-Based Housing Financing Assistance (BP2BT). This government assistance program is given to MBR who have savings to fulfill part of the down payment for a house or part of the funds for self-supporting housing development through credit or financing from the executing bank. The implementation of the BP2BT program is regulated by Regulation of the Minister of PUPR Number 12 / PRT / M / 2018, amended from Regulation of the Minister of PUPR number 18 / PRT / M / 2017 concerning Savings-Based Housing Financing Assistance which is regulated through Regulation of the Minister of PUPR number 13 / PRT / M / 2019 concerning Savings-Based Housing Financing Assistance.

The BP2BT program focuses more on MBR who work in the informal sector (MBR Informal) with uncertain income. So far, the funds available in banks or related financial institutions are short-term and expensive, while the need for low-term and long-term financing for MBR is needed. BP2BT bridges these requirements, so that non-bankable MBRs have the financial capacity to become bankable. Since its launch in 2018, the BP2BT financing scheme has received a positive response with many informal MBRs applying for this program. However, over time and the development of the stages of BP2BT disbursement in 2019, most of the MBR did not escape the leverage of the executing bank. It is suspected that informal MBRs have very limited capacity in terms of paying installments / installments even though at first they were able

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to save. In addition, it is suspected that the banking sector is still applying a strict lever on KPR facilities for MBR to avoid the risk of bad credit. Based on these problems, the author considers it important to carry out the Beneficiaries and Challenges of BP2BT Program Implementation in Responding to Housing Problems for Informal MBR. The research objective is to see the socio-economic characteristics of the beneficiaries and the challenges of implementing BP2BT in addressing housing problems for informal MBR. With the study, it is hoped that the causes of the problem with the low level of utilization of informal MBR on the BP2BT program will be identified, so that it can be used as a consideration for improvements in the implementation of BP2BT in the future.

## 2 RESEARCH METHODS

This study used a qualitative descriptive method with case studies in the Province of Central Java. Descriptive method is research that uses positivistic approach assumptions (Prasetyo & Jannah, 2005). According to Creswell (2012) researchers in qualitative research are required to be at the research location to see social phenomena that exist holistically so that they can interpret existing data. Researchers must have broad theoretical and insightful provisions so that they are able to ask questions, analyze, take pictures, and construct a clearer and more meaningful social situation under study. In this study, the sampling technique used was purposive sampling. According to Sugiyono (2016), purposive sampling is a sampling technique with certain considerations, such as competence and experience of respondents. Data collection was carried out by distributing questionnaires and interviews, direct observation, documentation and document review. The analysis uses a descriptive approach by explaining the realization data relating to the object being studied to then draw conclusions.

## 3 RESULTS AND DISCUSSION

### 3.1 BP2BT Program Implementation Progress

The implementation of housing finance scheme assistance through the BP2BT Program has only started in 2019 and is targeted by 2021 to provide 52,500 housing units for MBR as beneficiaries. The target in 2019 is 14,000 housing units. The progress of national achievements until 2019, BP2BT has only reached 5,178 housing units or 37%. This condition occurs due to various obstacles, namely:

1. The supporting infrastructure for the BP2BT program is not yet ready, both at the central and regional levels.
2. The Implementing Bank is not ready due to staff limitations to handle financing through the BP2BT scheme.
3. Developers in the regions are not ready to provide housing land for the BP2BT program.
4. Local governments are still hampered by issuing SLF

### 3.2 Characteristics of Beneficiaries of the BP2BT Program

The MBR samples in this study are people who do not have a house and live in a house with a lease status and apply for housing financing scheme assistance through the BP2BT Program in the Province of Central Java. Characteristics of beneficiaries of the BP2BT Program based on age groups are shown in Figure 1. The most beneficiary age group was in the 31-40 years age group as much as 61% and the least was in the 41-50 years age group as much as 3%. This age condition

indicates that most of the beneficiaries are in the productive age category.

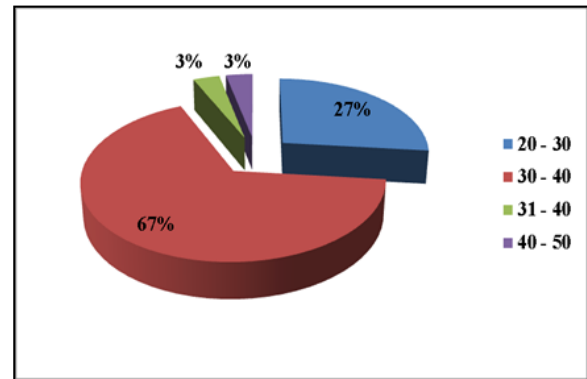


Figure 1. Beneficiaries by Age

Characteristics of beneficiaries of the BP2BT Program based on education level are shown in Figure 2. Most of the respondents with the latest education were undergraduate as much as 53% and as much as 47% from senior high school. This shows that some of the respondents are a group of people who have relatively adequate education (SLTA and Bachelor).

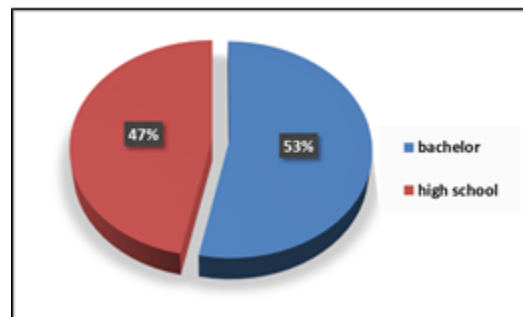


Figure 2. Beneficiaries by Education Level

The characteristics of the beneficiaries of the BP2BT program based on the type of work are shown in Figure 3. Most of the beneficiaries are private employees as much as 81.61% and entrepreneurial as much as 10.49%. After that, ASN 4.17%; BUMN / BUMD 2.59% and 0.72% others. This shows that most of the beneficiaries are formal sector professionals who have regular income and tend to be able to repay home loans in the long term (15-20 years).

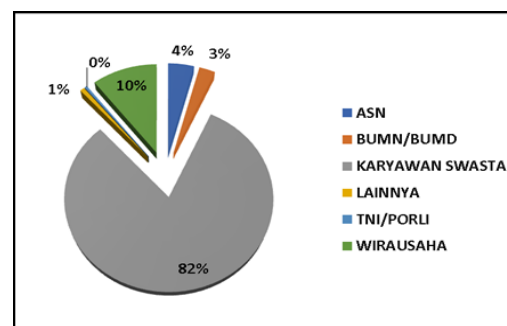
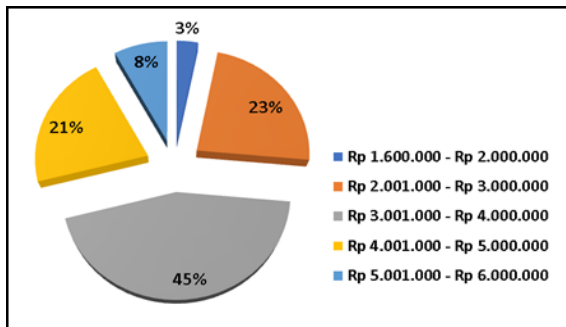


Figure 3. Beneficiaries by Type of Work

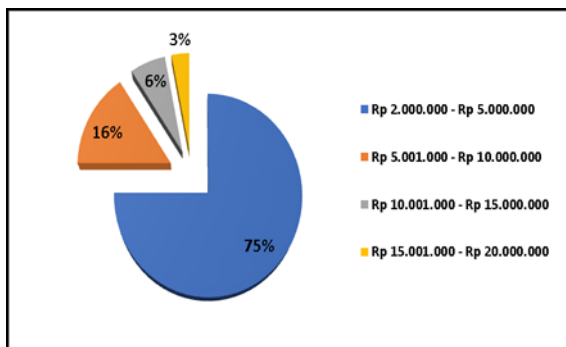
The characteristics of beneficiaries of the BP2BT Program based on income are shown in Figure 4. Most of the

beneficiaries have an income of around Rp. 3,001,000 - Rp. 4,000,000, which is 44.54%. Meanwhile, the lowest beneficiary income range was Rp. 1,600,000 - Rp. 2,000,000 as much as 3.16%. This shows that the income level of most of the beneficiaries is a group of people who have a lower middle income level (close to the UMR).



**Figure 4. Beneficiaries by Income Level**

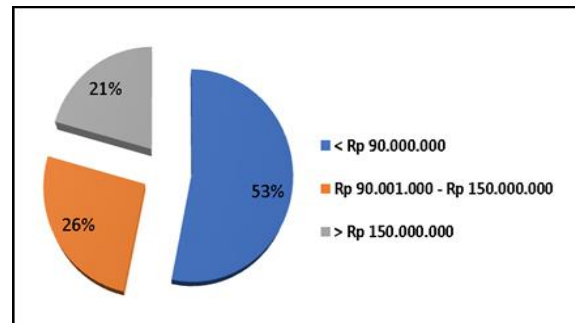
The characteristics of the beneficiaries of the BP2BT program based on the value of the savings are shown in Figure 5. Most of the beneficiaries have savings that are in the range of Rp. 2,000,000 – Rp. 5,000,000 which is as much as 75%. This shows that the beneficiary group includes the middle to lower income community.



**Figure 5. Beneficiaries based on Savings Value**

Figure 5. Beneficiaries based on Savings Value Based on the ownership status of the applicant's account above, it can be found as follows :

- Savings account status, all applicants are in accordance with the terms and conditions of account ownership for the age of savings (3 months according to Permen 13 / PRT / M / 2019) and a minimum savings balance of 2 million - 5 million
- Respondent's ownership account at the executing bank where the credit agreement was made, some applicants for the initial place of savings (account opening) were at another bank and not at the bank where the credit agreement was made, but in the process before the credit agreement the applicant opened the account again at the executing bank where it would be done credit agreement.

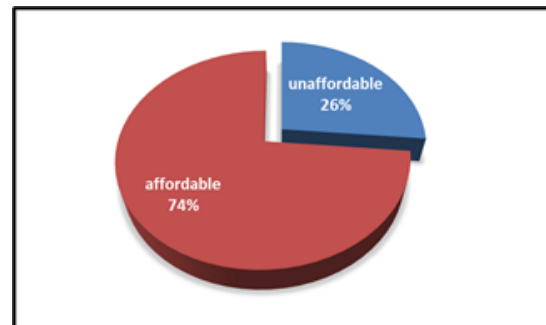


**Figure 6. Beneficiaries based on House Value**

The characteristics of the beneficiaries of the BP2BT program based on the house value are shown in Figure 6. Most of the beneficiaries chose the house value of Rp. 40 million - Rp. 150 million around 72.22% and for houses above Rp. 150 million around 20.78%. The applicant's tendency to prefer a house value below Rp. 150 million due to consideration of smaller house values, lighter installment expenses and easier building for housing units in the future.

### 3.3 Community Affordability Ratio to Houses

The level of affordability (Affordability Ratio) of low-income people in accessing owned houses can be found by calculating 30% of family income (Hulchanski, 1995). Therefore, the affordability of the beneficiaries can be viewed as 30% of the total family income each month, as shown in the following figure



**Figure 7. Level of Affordability of Beneficiaries**

Most of the beneficiaries in the Province of Central Java fall into the category of being able to reach houses that are fit for habitation as much as 73.56%, while those who have not been able to reach as many as 26.4%. If you look at the average income of the beneficiary family ranges from Rp. 3,000,000 - Rp. 4,000,000, then 30% of the total income ranges from Rp. 900,000 - Rp. 1,200,000 per month. Meanwhile, most of the beneficiaries wanted home installments that ranged from Rp. 600,000 - Rp. 900,000. This is because the ability of most of the beneficiaries to have an income is in the lower middle class (UMR) added by other expenses per month. This condition requires intervention from other parties, be it the government or community organizations so that these low-income people can reach houses that are suitable for habitation. Especially for people who work in the informal sector with the category of people who do not have regular income (non-bankable people). This community feels that it is quite difficult to get a house that is suitable for habitation

because of the conditions for taking a property that requires the individual to have a steady income and 30% of his total income for house installments.

### 3.4 Challenges of Implementing the BP2BT Program House

The BP2BT financing scheme is intended for two things, namely: 1) ownership of a landed house and sarusun, or 2) construction of independent houses. In the landed house ownership scheme, the down payment is set at a minimum of 20% and a maximum of 50% of the price of the landed house. The BP2BT applicant provides a partial down payment, at least 5% of the house price. BP2BT funds are then given to meet the shortage of down payments, by taking into account the amount of income of the target group and the value of the landed house. Furthermore, the credit or financing of the executing bank is given to meet the costs required in owning the landed house or sarusun, which amount is the value of the landed house or sarusun minus the down payment (a combination of the Petitioner's Savings and BP2BT Funds). Self-help housing development schemes, combined self-help funds and BP2BT funds amount to a maximum of 50% of the planned budget BoQ (Bill Of Quantity) for self-help housing construction. Self-help funds amount to at least 5% of the RAB. BP2BT funds are then given to meet the provisions for the combined amount of funds, by taking into account the amount of income of the target group and the BoQ (Bill Of Quantity) for the construction of Self-Help Homes. Furthermore, the credit or financing of the executing bank is given to meet the costs required in building a self-help house, the amount of which is the BoQ value minus the combined independent funds and BP2BT funds. Credit or financing of the executing bank will be disbursed gradually in accordance with the provisions of the Implementing Bank.

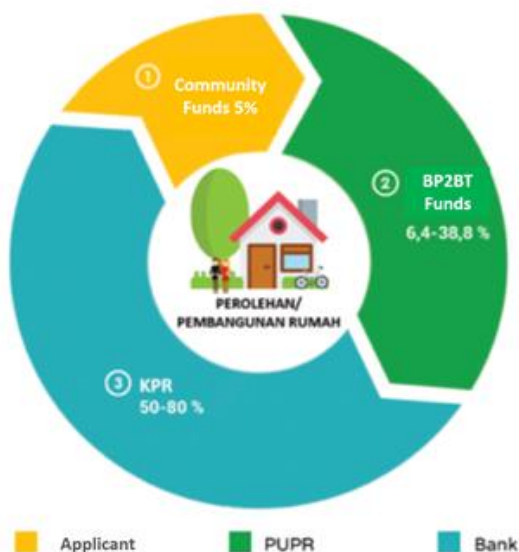


Figure 8. Components of the BP2BT Fund Scheme

Changes in the mechanism of the BP2BT financing stimulant assistance system are expected to be able to increase the capacity of the community, especially from the economic aspect. With the pure grant system mechanism (down payment subsidy), the community will be helped. The non-refundable grant funds are then used for the construction of

new houses, both KPR and independent houses. Thus, stimulant assistance through BP2BT financing is able to reduce the backlog of housing needs, especially in the Province of Central Java. But in reality, informal MBR still have difficulty obtaining the BP2BT program assistance scheme. Nationally, until 2019, about 4.32% of applicants did not pass verification because they did not meet the requirements, namely: did not pass the automatic test / Dukcapil; do not have a NPWP; the required deficit savings balance; construction of independent houses, the width of the house to be built / renovated is only 4 m wide; The amount of income does not match what is required, and does not meet the credit requirements of the executing bank.

## 4 CONCLUSION

Based on this research it can be concluded as follows:

1. Nationally, until 2019, the progress of BP2BT's achievements has only reached 37% (relatively low), because this program is new, so it still faces various obstacles both at the central and regional levels.
2. The characteristics of the beneficiaries of the BP2BT Program in the Province of Central Java are mostly in the productive age group, with the value of the house chosen less than IDR 150 million.
3. Beneficiaries of the BP2BT Program are formal MBRs who have regular income and earn between Rp. 3,000,000 to Rp. 4,000,000.
4. The BP2BT program cannot be utilized by informal MBR, because informal MBR do not have a fixed income, low affordability index of around Rp. 600,000 - Rp. 900,000 and uncertainty in repaying home ownership in the long term (15-20 years), and do not meet the credit requirements executing bank.

## 5 SUGGESTION

Suggestions from the results of this study are as follows:

1. There needs to be an alternative financing scheme policy that makes it easier for informal MBR to take advantage of housing financing assistance from the Government.
2. There is a need for a comprehensive study of the mechanism for channeling housing assistance through banks so that the requirements are easier and that the informal MBR can meet.
3. There is limited information on the BP2BT program for informal MBR, so it is necessary to develop a publication media through leaflets, posters, videos about self-help houses.

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