

Affordable housing policy: implications and prospects for low-income communities in Indonesia

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Abstract

The inconsistency between Law No. 1 of 2011 on Housing and Settlement Areas and Law No. 23 of 2014 on Regional Government has led to challenges in managing housing and settlement affairs, particularly with the introduction of the Workers' Housing Savings Scheme. This policy mandates workers to contribute to a housing savings program to facilitate home ownership. However, housing and settlement issues are considered mandatory public services, as the state is responsible for fulfilling the basic needs of its citizens. This article employs a qualitative research methodology, utilizing literature studies and policy document analysis to examine the role of local governments in implementing affordable housing provisions within the central government's national housing program. The findings indicate that existing housing policies, particularly, have not effectively addressed the housing needs of workers, as the financial burden of regular contributions or salary deductions is significant. Although government housing programs are designed to support homeownership, they have become an additional financial burden rather than a viable solution. On the other hand, various government subsidy programs, such as the One Million Houses Program, have shown positive results in providing affordable housing. This collaborative initiative between the government and housing developers aims to accelerate housing construction, demonstrating a growing trend in addressing the housing backlog. The article concludes that optimizing existing government housing programs and policies is crucial for enhancing housing accessibility and alleviating the financial burden on low-income workers.

Keywords: affordable, housing policy, low-income communities, central government

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Introduction

Housing is a primary need for society, and the State's task is to fulfill citizens' basic needs. So a house is a constitutional right of citizens (Wijaya et al., 2023). The global challenge of ensuring affordable and decent housing remains a pressing issue in contemporary urban development, particularly in the context of rapid urbanization and escalating income inequality. Along with the rapid growth of cities in Indonesia, such as Makassar, Surabaya, Medan, and Semarang, most of the population, especially low-income communities, experience great difficulty in obtaining decent housing (Imana et al., 2025, Ulimaz et al., 2025). This phenomenon exacerbates social disparities and undermines efforts toward sustainable urban growth. Public housing policies are critically important in addressing this disparity, serving as mechanisms to bridge the gap between housing needs and available resources. However, the effectiveness of these policies varies considerably across different contexts and is often constrained by systemic challenges (Akinsulire et al., 2024).

Along with the development of development and the large flow of urbanization into urban areas, this has implications for the high housing needs. The big problem is limited land, which has high-cost implications (Wijaya et al., 2023) and inadequate urban planning (Yusuf et al., 2023). Social and economic price disparities impact people's ability to obtain adequate housing, especially low-income community. In principle, developing housing and residential areas is a joint responsibility between the government and the community (Lestari & Djumiko, 2017). The government has made efforts to meet people's housing needs through various policies created to reduce the housing backlog.

The affordable housing policy approval request mechanism involves several key steps to ensure that workers can access housing savings. Initially, employees are required to complete their registration with the Public Housing Savings Management Agency. Following this, contributions are deducted from their salary, and workers can access the savings once they reach retirement or meet other qualifying conditions. However, the program's implementation is uneven across regions, particularly in areas with a high informal workforce, where accessing affordable housing program can be more complex. In three regions of Indonesia, including Jakarta, Surabaya, and Yogyakarta, the program has been more effective due to a formalized workforce and improved infrastructure. These regions have seen higher enrollment rates and faster processing times for applicants, in contrast to areas where bureaucracy and economic barriers impede the program's success.

Affordable housing policy is expected to be a solution for people with affordable housing costs. However, previously government programs for housing such as *Bapertarum* did not run optimally (Putra et al., 2020), one of the reasons being the small amount of housing financing assistance (Onazi et al., 2020). The Affordable Housing Policy Program actually reaps various kinds of contradictions. The ratio of housing expenditure to income remains an indicator commonly used in policymaking (Galster & Lee, 2020). Workers, including self-employed workers, consider this program to increase their financial burden (Ariningdyah et al., 2024). This is due to the fact that the program requires The designated segment of income for allocation purposes to be allocated to housing, thereby reducing their disposable income for other essential needs.

Research on housing policies, particularly those targeting low-income communities, highlights the complexities and challenges in both developed and developing countries. Studies like those by (Meckelburg & Wardana, 2024) and (Raynor & Whitzman, 2021) emphasize the importance of local policy networks and competence in shaping affordable housing outcomes. In Indonesia, the Affordable Housing Policy (Affordable Housing Policy) program, while designed to help workers save for housing, faces criticism for imposing financial burdens on participants, especially low-income workers (Ariningdyah et al., 2024). Despite government initiatives like the One Million Houses Program, which has seen success in providing affordable housing, challenges remain in ensuring that these programs adequately address the needs of vulnerable populations (Prastiyo et al., 2022). Further research underscores the necessity of optimizing housing financing schemes and revising policies to better serve low-income communities (Putra et al., 2020); (Gertler et al., 2024). Overall, the effectiveness of housing policies relies on integrated approaches, government support, and appropriate financing mechanisms to overcome systemic barriers to affordable housing.

Housing policies, both in developing and developed countries, exhibit a wide range of dynamics, reflecting differences in the social, economic, and political contexts of each country. Several studies suggest that national affordable housing policies often focus on balancing the contributions of government and the private sector, as well as on social justice principles involving factors such as competence and efficient resource management.

Housing policies in both developing and developed countries exhibit diverse dynamics, reflecting the distinct social, economic, and political landscapes of individual countries, especially in developed states like the United States and Australia, affordable housing policies often rely on experienced local policy networks and efficient resource management, offering flexibility to address varying housing needs (Raynor & Whitzman, 2021); (Schnabel & Souris, 2024). In contrast, in developing countries like Ghana, the government's contribution to housing policies is much lower compared to the private sector, which can lead to inequality in access to decent housing for low-income communities (Ansah et al., 2020). Therefore, housing policies in developing countries must strengthen the role of the government and encourage collaboration with the private sector to create more inclusive solutions. In Flanders, Belgium, an equality-based approach, which sets income limits for affordable housing, aims to ensure fair access for all social classes (Heylen, 2020). Overall, effective housing policies require an understanding of the local and specific factors within each country to create sustainable and inclusive solutions, balancing government and private sector contributions while emphasizing social justice.

Over the past decade, research has shown that housing has evolved from a social good into a driver of economic inequality, where property ownership increasingly determines social position and creates distinct "housing classes" (Howard et al., 2024, Hochstenbach et al., 2025). Countries like Australia and the Netherlands face similar challenges, including rising prices, limited social housing, and the financialization of policy that turns homes into investment assets (Le Goix et al., 2025). However, studies remain centered on advanced economies, leaving a gap in understanding housing inequality in developing contexts. In Indonesia, the People's Housing Savings program was designed as a sustainable housing finance solution, but raises questions of fairness due to mandatory worker contributions without direct benefit. This study addresses that gap by analyzing affordable housing policy's impact on low-income communities and positioning Indonesia within international housing policy debates to explore how economic and social justice can be better balanced.

Overall, the discussion on housing policies in both developing and developed countries shows that local and specific factors significantly influence the effectiveness of these policies. While developed countries emphasize the use of local policy networks and managerial competence, developing countries face major challenges in strengthening the role of government and ensuring equality in access to decent housing. Therefore, it is crucial for housing policies to consider the socio-economic context of each country in order to create more sustainable and inclusive solutions.

Research indicates that housing policy alone cannot fully address the complex array of factors influencing housing affordability and accessibility (Goering & Whitehead, 2017). A comprehensive understanding necessitates analyzing the interplay of social, economic, and political factors that shape housing markets and influence policy outcomes. Addressing these multifaceted challenges requires integrated strategies that go beyond policy formulation to encompass broader socioeconomic reforms and political commitment aimed at fostering equitable urban development.

The purpose of this research is to explore the implications and prospect of public housing policies, specifically affordable housing policy, on the ability of low-income communities to access decent and affordable housing. The scientific contribution of this research is to provide new insights into more inclusive and sustainable housing policies, with specific emphasis on developing nations, such as Indonesia. This investigation elaborates on the struggles of low-income groups in acquiring quality housing, affordable housing policy can be significantly enhanced through a comprehensive, holistic, and integrated approach that involves coordinated efforts among policymakers, financial institutions, community stakeholders, and technological innovations. Therefore, this article contributes to the development of more adaptive and responsive housing policies that address the real needs of low-income communities, thereby providing guidance for more effective policy-making in the future.

Research Methods

Using a qualitative method, this article delves into a comprehensive study of housing policies and government documentation from the Ministry of Public Works and Public Housing and the Ministry of National Development Planning, and relevant policy documents. The data collection spanned a timeline from January 2023 to July 2024, enabling the researcher to examine changes in government policy over time. Qualitative analysis is a social science tradition that relies on observing individuals in the field and words (Creswell, 2024). This article examines local governments implementing affordable housing provisions in central government policies in the national affordable housing provision program. Literature data sources were selected because they provide comprehensive insights into past and current housing policies, enabling a detailed understanding of the challenges and successes of programs like affordable housing policy. Given the qualitative nature of the study, policy documents and government reports offer valuable, in-depth perspectives that primary data collection could not fully capture. The process of creating policies occurs within specialized communities that shape decisions profoundly, aided by policy subsystems that function as focused networks impacting outcomes (Trein et al., 2023). Analyzing how policymakers build relationships between policy subsystems to address complex challenges has made policy research a vital aspect of public policy studies.

This research focuses on government policy in the public housing sector, which has implications and prospect for citizens, especially low-income communities related to the housing provision financing policy subsystem in the affordable housing policy program, by collecting information and data based on a predetermined time. The reason for determining the time is because we remember in policy studies that policies can undergo a rapid and fundamental transformation. Countries possess distinctive and enduring policy styles that fundamentally shape their decision-making processes. By influencing the development, enforcement, and review of public policy, these approaches also impact the fundamental nature and performance of governance in various countries. (Knill & Tosun, 2012).

Data for this study was obtained by analyzing pertinent housing sector documents from both the Ministry of Public Works and Public Housing and the Ministry of National Development Planning, and the Sub-Directorate of Housing and Settlement Areas, all of which play crucial roles in shaping housing policies and programs. The analysis focuses primarily on government policies and programs in the housing sector

as well as policies in administering housing affairs. Data analysis aims to draw conclusions and deductions based on the information collected (Wijaya et al., 2024). Aligned with the categories selected for examination of various information to study the policy implementation process.

Results and Discussion

Research results show that the implementation of the affordable housing program has not yet fully enhanced access to affordable housing solutions, highlighting ongoing challenges in achieving its intended socioeconomic impact and necessitating further policy evaluation. Most respondents and policy data indicate that mandatory affordable housing policy contributions actually increase the economic burden without providing any direct short-term benefits. The affordable housing program represents a policy innovation designed to address Indonesia's chronic housing affordability issues. Its novelty lies in the mandatory contribution system, where both employers and employees contribute to a housing savings fund. This is a departure from previous voluntary programs, which had limited reach. Compared to international programs, such as Australia's First Home Owner Grant or Singapore's Central Provident Fund (CPF), affordable housing policy shares similarities in its savings-based approach but faces unique challenges due to Indonesia's large informal economy and Local disparities. International studies, like those by Raynor & Whitzman (2021), suggest that while savings schemes can be effective in urbanized regions, their success depends heavily on robust financial infrastructure and low barriers to entry. affordable housing policy's implementation, particularly in rural or informal sectors, requires further adjustments to improve accessibility and fairness.

The lack of regulatory alignment undermines effective governance and sustainable development strategies, with notable examples being the operational inefficiencies caused by the disconnect between Law Number 1 of 2011 on Housing and Settlement Areas and Law Number 23 of 2014 on Local Government. For example, central government policies may allocate funds for housing development, but local governments may face bureaucratic barriers due to different interpretations or implementations of regulations. Furthermore, housing policies contribute to widening social gaps, particularly affecting low-income communities. Data from the Central Bureau of Statistics (2024) also reveals that housing affordability for Low-Income Communities remains critically low.

This disparity is not unique to Indonesia, as similar patterns are observed globally. For example, (Ma & Liu, 2024) Affordable Chinese housing projects significantly address urban housing shortages often resulted in poor-quality housing due to rushed construction timelines, which only worsened socioeconomic inequalities by offering substandard living conditions for low-income residents. The application of policies like affordable housing policy, which aim to support affordable housing schemes, can inadvertently contribute to a widening divide between urban elites and marginalized communities, as the benefits are often not shared adequately. This shift in housing preferences adds another layer of complexity to the affordable housing debate, as it influences both demand and policy response, further complicating the task of addressing the housing affordability issue in the post-pandemic world (Gamal et al., 2023).

These results indicate that affordable housing policy still operates within a top-down fiscal policy framework that is not oriented towards the real needs of target groups. When housing policies focus on financing mechanisms without considering

workers' purchasing power and budgetary capacity, they have the potential to exacerbate structural inequality. Thus, affordable housing policy has not achieved its ideal redistributive function as mandated by the principle of social justice in Article 28H paragraph (1) of the 1945 Constitution. In terms of public policy, this condition underscores the limitations of the multi-level governance approach, where coordination between central and Local governments remains primarily administrative rather than collaborative.

The One Million Houses Program is a Government Policy Innovation as a Form of State Responsibility towards Citizens

The emergence of various programs aimed at facilitating housing provision for low-income people is an essential and effective solution to ensure that they have a decent place to live (Prastiyo et al., 2022). Despite the unwavering effort and determination required to participate in these programs, low-income people have shown remarkable resilience in overcoming the challenges they face. This resilience is a source of inspiration and hope, demonstrating that even in the face of adversity, the dream of a decent home can be realized.

Under Law Number 1 of 2011, low-income communities are individuals with restricted financial resources and purchasing power. They face economic constraints, requiring targeted strategies to ensure social inclusion, equitable access to services, and economic development. Ministry of Public Works data identifies a housing shortage in Indonesia of over 11 million units, driven by rapid urbanization and limited urban land, with the deficit largely quantified in terms of volume. (T. Harahap, 2021). The priority of the national housing development program is oriented towards housing for low-income people. To anticipate this, the government has taken a proactive role in developing a concept for building and providing housing with various programs. One of these programs is the one million houses program which is intended for low-income communities to obtain affordable housing.

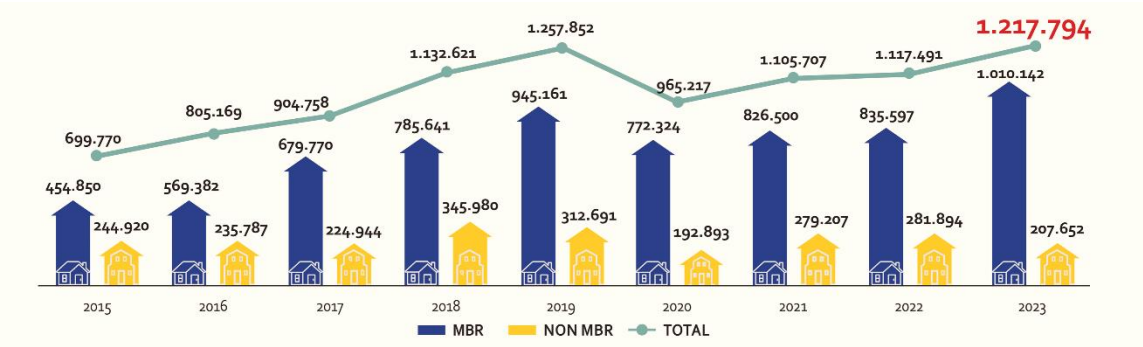


Figure 1. Achievements of the One Million Houses Program (2015-2023)

Source : Ministry of Public Works and Public Housing, 2024

In 2015, President Joko Widodo initiated the One Million Housing Program, aiming to foster economic development and social welfare by mobilizing nationwide efforts to achieve substantial growth and inclusivity across Indonesia. The achievements of the One Million Houses Program in 2015-2019 were 4.6 million units, the plans for which are stated in the 2015-2019 *RPJMN* achievements. Meanwhile, in the 2020-2024 document of National Medium Term Development Plan (*RPJMN*) in the first three years (from 2020 to 2022), the accomplishment of the Million Houses Program that was built was 3,188,415, with details in 2020 of 965,217 units, in 2021 1,105,707 units and 2022 1,117,491 units.

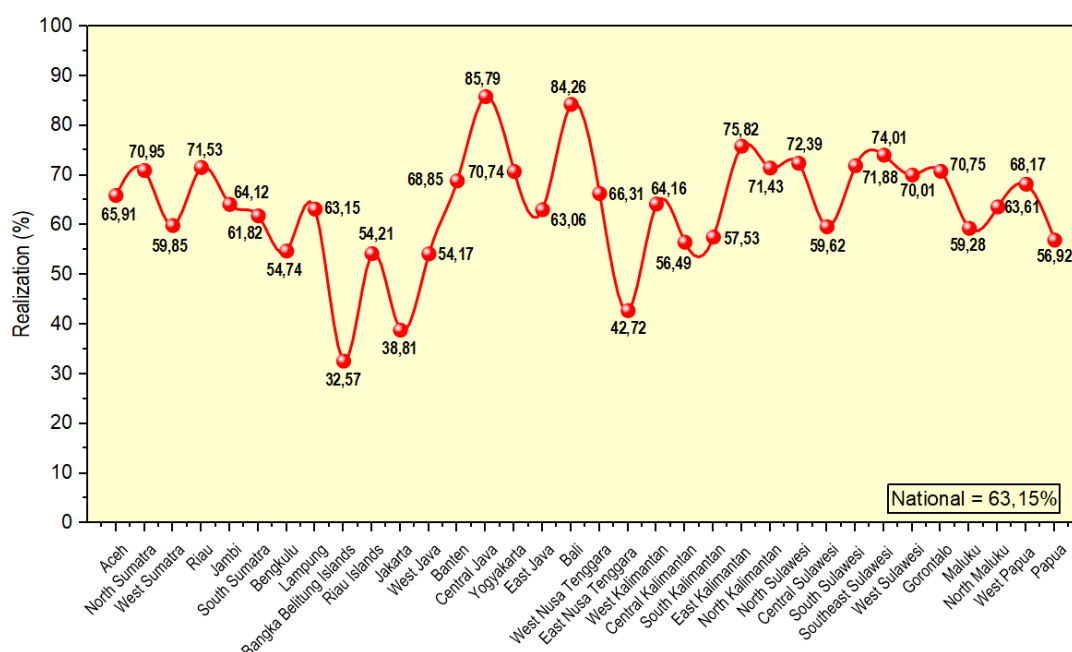


Figure 2. Realization of Decent Housing in Indonesia, 2023

Source: Sub-directorate of Housing and Settlement Areas, Directorate General of Local Development, Ministry of Home Affairs, 2024.

The graph above shows the achievement of decent housing in 2023 by province with a national average of 63.15%, but the distribution is uneven: very high clusters are seen in DI Yogyakarta (85.79%) and Bali (84.26%), followed by East Kalimantan (75.82%), Southeast Sulawesi (74.01%), North Sumatra (70.95%), Riau (71.53%), and East Java (70.74%) indicating relatively strong housing program performance and Local fiscal/institutional capacity. Middle-ranking provinces range around the national figure, for example, Central Java (68.85%), Banten (63.06%), Lampung (63.15%), South Sulawesi (71.88%), and several other Kalimantan/Sulawesi provinces in the range of 59–72% indicating stable achievement but still leaving a quality backlog. Conversely, low clusters are seen in Jakarta (38.81%) and NTT (42.72%), while Papua (29.01%) and the Riau Islands (29.01%) Bangka Belitung (32.57%) is the lowest outlier; this indicates structural barriers (spatial inequality, high land costs/limited infrastructure access, and challenges in financing and livability verification) that national intervention schemes have not addressed.

Java exhibits a split profile, with Yogyakarta ranking very high while Jakarta ranks low, demonstrating that dense and expensive metropolitan land does not necessarily guarantee improved livability. This requires improved policies on both the supply side, with land banking, construction financing, and affordable vertical housing, and on the demand side, with rental subsidies/vouchers and subsidized flexible mortgages tailored to workers with irregular incomes. More broadly, the significant Local disparities underscore the need for multi-level governance and more targeted financing to enable lower-performing provinces to reach the national average. In contrast, leading provinces maintain their gains through sustainable and durable schemes.

Based on the Local Medium Term Development Plan (*RPJMN*) 2020-2024, the government's target in 2024 is that 70% of households will occupy adequate housing; implementation is carried out through direct and indirect government intervention. The

percentage of households occupying habitable houses has decreased from 60.90 percent in 2021 to 60.66 percent in 2022. However, in 2023, there will be an increase in the percentage of households occupying habitable houses to 63.15 percent.

Polemic on Affordable Housing Policy and Optimization of Housing Financing

If optimized and comprehensively implemented, housing financing subsidy assistance can significantly increase people's purchasing power for livable houses (Gertler et al., 2024). Current deficiencies, such as the need for more help from the supply side for construction credit and land purchases and the demand side for people on precarious incomes, can be overcome with proposed improvements.

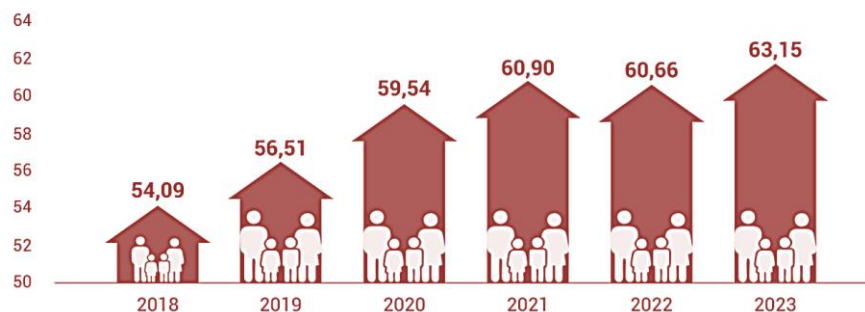


Figure 3. Percentage of Households Occupying Livable Houses in 2018-2024

Source : Central Bureau of Statistics, 2024.

Table 1. Housing Financing Development Strategy

No.	Strategy	Effort
1.	Financing self-help housing development	<ul style="list-style-type: none"> - Optimizing CSR, Grants, Care Funds, Baznas, Philanthropy, crowdfunding, balanced housing compensation, and trust funds. - More efficient, adaptive, and targeted financing of capital assistance/incentives for self-supporting housing
2.	Financing public housing development	<ul style="list-style-type: none"> - Development of innovative financing from the supply side for the development of public housing through the development of PPPs for the construction of public housing (public housing). - Development of subsidy financing products from the demand side, in the form of housing allowances (vouchers/rent subsidies) in the form of periodic subsidies that are more efficient, adaptive, and right on target
3.	Development of the primary financing market through production management and adaptive financing products	<ul style="list-style-type: none"> - Developing mortgage products that are adaptive to consumers and markets based on the diversity of society based on the type of house (commercial/self-help), type of work, income segmentation, fixed income/non-fixed income, especially the first home for all Indonesian people. - Implementing a single platform to ensure uniformity across products, with LK operating products through a centralized system, there by enhancing efficiency and ease of use.

Source: Sub-directorate of Housing and Settlement Areas, Directorate General of Local Development, Ministry of Home Affairs, 2024.

Housing development plans usually require a mix of government-built housing units with large subsidies available to low-income households (Shamsuddin, 2020). The government has implemented a range of policy measures to address housing needs, particularly for low-income communities, utilizing a subsidy-based model, one of which is the Public Housing Credit (Sutrisno et al., 2023).

In 2016, the government established the Public Housing Savings Management Agency, which plays a key role in housing policy. This institution believes that affordable housing policies can help alleviate the housing shortage, given the government's limited capacity to provide housing. Consequently, the agency chose the affordable housing policy to address this issue. The Public Housing Savings is regulated by Law Number 4 of 2016, which provides the legal basis for subsequent policies, such as Government Regulation Number 21 of 2024 concerning the Public Housing Savings. The government clarified that this initiative is not a contribution but a savings account designed to help workers secure housing. According to Law Number 4 of 2016, workers are required to save 3% of their income, which they can access upon retirement.

Government Regulation Number 21 of 2024 mandates employees to register in the Housing Savings Management Agency and contribute 3% of their salary if they earn above the minimum wage. This has sparked debates on whether homeowners must participate or defer contributions until retirement. The potential impact on low-income individuals is a key concern. If contributions are based on salaries above the minimum wage, the classification of low-income workers under statutory regulations could also influence participation in the program. Based on the criteria for low-income communities based on Regulation of the Minister of Public Works and Public Housing Number 1 of 2021 concerning Criteria for Low-Income Communities and Requirements for Ease of Construction and Acquisition of Homes, Decree of the Minister of Public Works and Public Housing Number 22 of 2023 income limits for low-income communities are determined based on specified floor area thresholds to ensure equitable resource allocation as well as Circular Letter from the Directorate General of Infrastructure Financing of the Ministry of PUPR Number 06 of 2023 concerning Technical Instructions for Calculating the Amount of Income for Low-Income Communities Who Receive Facilities and Housing Financing Assistance.

Several studies have found that the policy for implementing affordable housing policy still needs to be revised regarding the sustainability of participation for independent workers (Haviazahra & Sebyar, 2024). According to Government Regulation Number 21 of 2024, employers are obligated to dedicate 0.5% of worker participants' savings to their personal retirement funds. This policy strives to strengthen employees' financial resilience in the long term and incentivize employers to take greater responsibility for employee welfare (E. D. Harahap et al., 2024, T. Harahap, 2021).

Housing provision, as a fundamental responsibility of the state, is aimed at meeting the basic needs of citizens. Law Number 23 of 2014 on Local Government, specifically Article 12, paragraph (1), point (d), identifies housing and residential affairs as a compulsory governmental function linked to essential public services. This phrase can be interpreted to mean that the services provided by the government to citizens are No Price. These matters and services must not be made into government business.

Realization of the 2024 Affordable Housing Program Financing Agreement

The realization of affordable housing program financing agreements in 2024 was largely overshadowed by the implementation of Government Regulation No. 21 of 2024 Subsidized housing programs aim to provide affordable living options for low-income communities. Throughout the year, the speed of agreements was primarily determined by three factors: (1) the readiness of participants, especially formal workers whose contributions were deducted by 3% to meet bank eligibility requirements. The 3% contribution figure refers to the stipulation in Government Regulation No. 21 of 2024 concerning the People's Housing Savings, which mandates that workers enrolled in the affordable housing program contribute 3% of their monthly salary to the housing savings fund. This contribution consists of 2.5% from the worker and 0.5% from the employer; (2) the availability of subsidized housing stock that met price/area specifications; and (3) the speed of distributing banks/BLUs in conducting assessments, administrative verification, and unit reservations. In areas with a formal industrial base and a mature subsidized housing supply, the approval pathway often resulted in agreements. Conversely, in expensive cities or underdeveloped areas, many transitioned from in-principle approval to pending status due to the mismatch between land prices, construction costs, and the purchasing power of low-income families. Synergy with existing programs, such as the *FLPP* mortgage program, Subpurpose Home Ownership Credit, and Retail Home Ownership Credit, can help close the financing gap for ownership, construction, and renovation. However, friction between central and Local regulations (permits, site readiness, and certification) often delays upstream contract completion times.

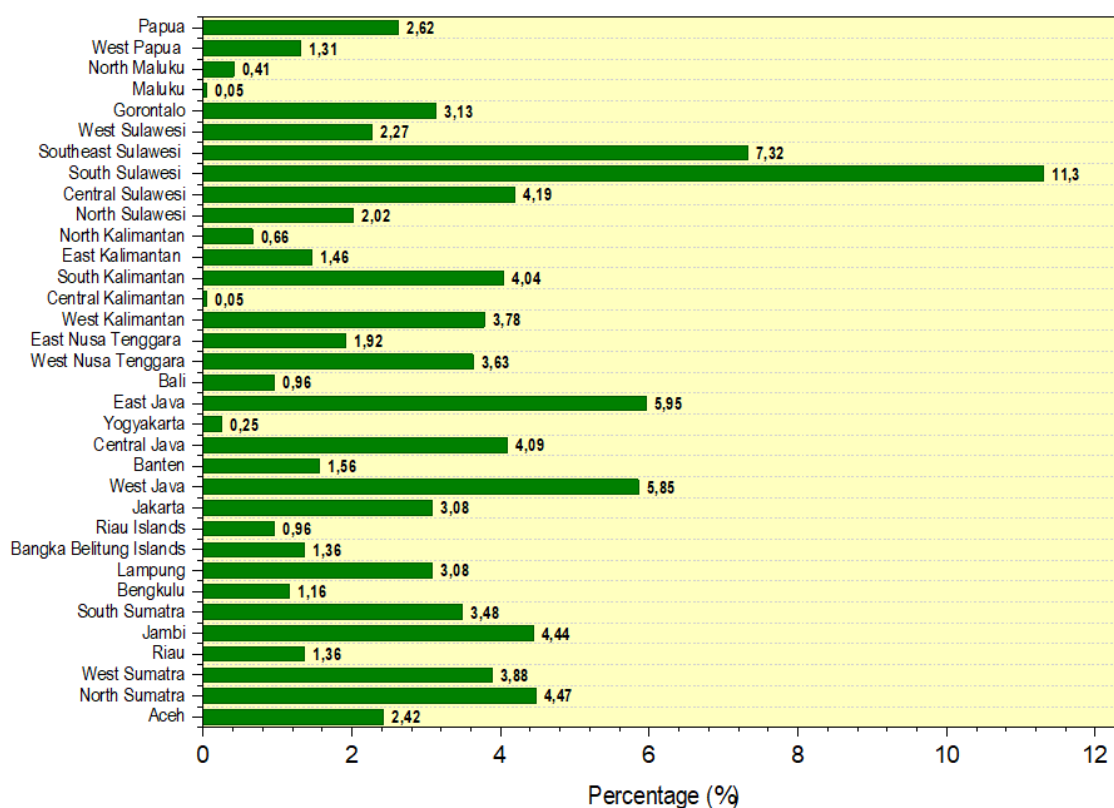


Figure 4. Realization of affordable housing program financing agreements in 2024 based on Province

Source : Public Housing Savings Management Agency, 2024.

Entering the next cycle, strengthening contract implementation requires a dual approach. On the demand side, more adaptive schemes are needed for low-income residents, such as alternative income verification methods, phased lease-purchase options, or additional down payment subsidies, to ensure that socially qualified borrowers are not excluded from credit assessment. On the supply side, local government support for land banking, accelerated permitting, and low-interest construction loans will increase the availability of price-constrained units. Operationally, implementing a single platform for all stages (contribution recording, prequalification, assessment, and electronic signing) will reduce completion times and increase transparency. For accountability, affordable housing program must publish the following minimum performance indicators: the number of effective contracts per quarter, the share of first-time low-income housing recipients, the median TAT from completed documents to contract, Local distribution, and the failure rate from in-principle approval to contract cancellation. With this combination of measures, the 2024 contract realization can be interpreted not simply as a number, but as a policy framework for balancing fiscal goals and equitable housing access.

The figure 4 illustrates the distribution of the percentage of affordable housing program financing agreement realization in 2024 by province, indicating highly variable participation rates across Indonesia. The province with the highest contribution was Sulawesi Selatan (11.3%), followed by Sulawesi Tenggara (7.32%), Jawa Timur (5.95%), and Jawa Barat (5.85%). The dominance of these regions suggests that economic activity and formal workforce density play a significant role in the success of realizing the agreement, as formal workers more easily meet affordable housing policy's contributions and requirements with an organized payroll administration system. Conversely, the provinces with the lowest achievement, such as Kalimantan Tengah (0.05%), Maluku (0.05%), and Yogyakarta (0.25%), indicate low program penetration in areas with a large informal worker base, limited subsidized housing projects, and administrative constraints such as participant data verification and the availability of housing units that meet affordable housing program criteria. This spatial pattern indicates a tendency for the success of agreement realization to remain concentrated in densely populated provinces in the western and southern regions of Indonesia. In contrast, the eastern region and sparsely populated provinces continue to lag. Thus, these data emphasize the need for a differentiated policy approach, through regulatory and fiscal support that adapts to regional characteristics, so that affordable housing policy functions not only as a national financial instrument, but also as a mechanism for equalizing access to housing across regions and social classes.

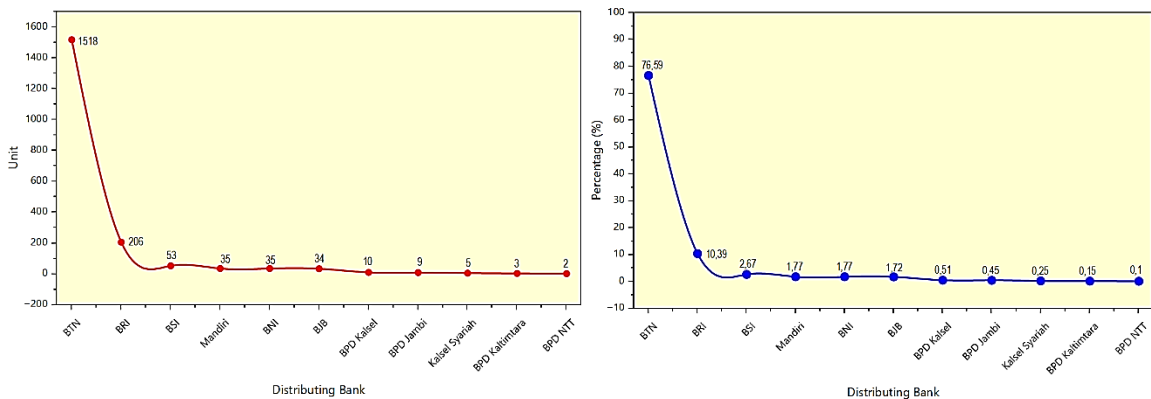


Figure 5. Distributing Bank
Source : Public Housing Savings Management Agency, 2024

The distribution of affordable housing financing exemplifies a highly concentrated market structure, characterized by significant dominance by a limited number of financial institutions. Notably, Bank Tabungan Negara (BTN) commands the largest share, accounting for approximately 80% of the total 1,910 units disbursed, which translates to around 1,518 units. This overwhelming share underscores BTN's pivotal role within the Affordable Housing Policy program, positioning it as the primary facilitator of housing finance dissemination. Following BTN, Bank Rakyat Indonesia (BRI) holds a secondary but substantial position with an 11% share, equating to approximately 206 units.

Moreover other banking institutions such as Bank Syariah Indonesia (BSI), Bank Mandiri, Bank Negara Indonesia (BNI), and Bank BJB possess relatively minor market shares, each ranging between 1.8% and 2.8%. These smaller banks collectively contribute only a marginal segment of the total, indicating limited penetration or capacity within the Affordable Housing Policy financing scheme. Additionally, regional development banks, including Bank of Kalsel and Bank of Jambi, among others, play a minimal role, collectively accounting for less than 2% of the total units distributed.

Authority for Managing Housing and Settlement Area Affairs in the Region

In various countries, housing policy plays a vital role in solving housing problems as a primary need for citizens (Wijaya, Wallang, et al., 2023). Changing social and technological dynamics makes public policy an essential tool for designing relevant and effective solutions (Pettarani et al., 2024). Housing policy is becoming an increasingly polarized issue in various countries (Schnepf et al., 2021). The government continues to provide housing for the community, both landed houses and affordable flats, but the needs of the community continue to increase due to urbanization (Soemitro et al., 2020). In an effort to meet people's housing needs, the policies used by the government vary from one country to another. Western countries use the concept of social rental housing, while most countries in Asia still use the affordable home ownership approach (Cheah et al., 2020).

Table 2. Division of Affairs in the Housing Sector

Sub-Affairs	Central Government	Province	Regency/ City
Housing	a. Strategies for equitable distribution of low-income housing resources. b. Housing solutions designed specifically for individuals affected by disasters' aftermath. c. Empowering equitable residence allocations enhances accessibility and support for students participating in remote academic programs. d. Development of a housing financing system for Low-Income Communities.	a. Provision and restoration of housing for victims of provincial disasters. b. Enhance housing provisions for individuals impacted by the provincial Local Government's relocation initiative.	a. Allocation of villages and villages to disaster areas and reconstruction efforts by prefectures and municipalities b. Enhance the facilitation of housing provision for individuals impacted by the Local Government's relocation program. c. Issuance of permits for housing construction and development. d. Issuing building ownership certificates.

Source : Law Number 23 of 2014 concerning Local Government

In implementing government affairs in the housing and residential areas field, it is assumed that Law Number 1 of 2011 concerning Housing and Settlement Areas and Law Number 23 of 2014 concerning Local Government need to be in sync. Law Number 23 of 2014 on Local Government, as outlined in Appendix D, does not grant Local governments the authority to construct and provide housing for low-income communities . In contrast, Law Number 1 of 2011 on Housing and Settlement Areas assigns the authority for housing development. The responsibility for MBR housing is shared between the central and Local governments. A normative solution would involve delegating the authority to Local governments to manage housing and residential affairs effectively. According to a study by Gertler et al. (2024), housing policies in Indonesia still face major challenges in terms of financing sustainability and affordability. Findings by Putra et al. (2020) align with this, stating that the housing backlog in certain regions has not yet been effectively addressed by the Affordable Housing Policy program.

From the table 2, the provision of housing for low-income people is the central Government's authority. So, there is an opinion that housing development has stagnated because regions are not given authority, which has implications and prospect for slow growth and provision of housing. If this is interpreted, then naming low-income communities is only the authority of the central Government. Meanwhile, if interpreted from Law Number 23 of 2014 concerning Local Government itself, philosophically, the principles of administering Local government affairs consist of four criteria: accountability, efficiency and externality, and national strategic interests. The externality criterion is an approach to dividing government affairs by considering the impacts/consequences that arise in the implementation of Government affairs (Rahmawati & Rukmana, 2022). If the impacts are local, then the Government affairs become the authority of the Region; if Local, it becomes the authority of the Province; and if national, it becomes the authority of the Government.

Article 15, Paragraph (4) delineates modifications to the distribution of concurrent governmental responsibilities between the Central Government and provincial, district, and city administrations. These modifications, which do not involve the transfer of concurrent responsibilities to different levels or organizational structures of government, are established through governmental regulations. This presents a potential entry point for Local authority in the provision and development of housing for low-income communities , offering a hopeful outlook for the future of housing policies in Indonesia.

Conclusion

The dynamics of housing problems are endless as the population continues to increase, urbanization increases and so on, which can be seen from the aspect of social and economic changes that influence the formulation of housing policies. There is a clear need for more efficient government policy in the field of housing and settlements. This efficiency is crucial to coordinate policies at the policy subsystem level through existing policy instruments, both in the form of incentives aimed at encouraging economic growth, infrastructure procurement, and movement of sectoral resources.

It can be concluded from this article that existing housing policies in Indonesia need optimization, including financing schemes such as *FLPP*, public housing credit, down payment assistance subsidy, and savings-based housing financing assistance, even the initiation of housing development through Government Collaboration with Agencies Business so that the Affordable Housing Policy program which creates

contradictions can be resolved immediately. The Affordable Housing Policy program is widely criticized for being economically impractical, as rising land prices and urban land scarcity render the small discount offered insufficient to make homeownership viable. The Government has sought to prioritize its existing programs, yet the responsibility for housing and residential areas, particularly the construction of housing for low-income communities, is predominantly under central Government jurisdiction. This authority, however, is divided among Local governments in line with the principles of concurrent authority. The key issue stems from conflicting assumptions about Local authority in managing housing affairs, particularly for MBR housing, as stipulated in Law Number 1 of 2011 on Housing and Settlement Areas and Law Number 23 of 2014 on Local Government. The interpretation suggests that delegating authority to Local governments can create opportunities for collaboration with the central Government in enhancing housing development for MBR. The legal foundation for such collaborative efforts is provided by Law Number 23 of 2014, which outlines the technical arrangements for sharing responsibilities between central and Local governments.

This research lays the groundwork for future studies on reformulating housing policies in light of social justice. In the future, an integrated housing governance approach needs to be developed by strengthening the involvement of local governments, labor unions, and the private sector in the financing and oversight mechanisms of affordable housing program funds. Comparative research efforts within developing countries should focus on policy adaptation that reflects their fiscal and economic contexts, ultimately fostering both sustainable development and financial stability. In the long term, the direction of housing policy in Indonesia needs to shift from a purely budgetary paradigm to an equity-based housing policy paradigm, as implemented in several European countries, to ensure equitable access and socio-economic sustainability for low-income communities.

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