

CHAPTER I

INTRODUCTION

1.1 Background of the Research

Housing industry in West Sumatra (Sumatera Barat), Indonesia, is characterized by a mix of traditional and modern influences, reflecting the region's rich cultural heritage and its ongoing development. This industry is a critical component of the local economy, providing both employment opportunities and addressing the housing needs of a growing population. This section aims to provide a comprehensive overview of the housing industry in West Sumatra, including its current state, challenges, and future prospects.

The need to address the housing shortage is growing increasingly pressing and significant. One of the most basic human requirements today is housing in large cities that has not ceased and is still continuously developing as a result of population increase and the ongoing urbanization trend. A home is a type of real estate that serves as both a place of residence and a social status indicator. It is frequently purchased for financial reasons, serving as both a place of business and habitation. Housing costs have increased as a result of this. For low-income neighbourhoods, this will be problematic as owning a home is becoming an increasingly unrealistic goal.

The problem of housing and settlements for people with low incomes is not just associated with a physical pattern, and continuously

exists at the point of interconnected socio-economic and political measurements. The state endeavors to advance the welfare of the people by subsidizing housing for low-income communities through the Ministry of Public Works and Housing. This intervention aims to model both the high percentages of people who can veritably afford a house, but with limited resources. What appears to be more crucial from the perspective of people with very low incomes is “opportunity”. People with low incomes may give preference to employment to protect their lives in the referent turns.

The “One Million Houses” development program policy by the government, under the Ministry of Public Works and Public Housing , is aimed at the role of the government to “constantly strive” to provide LIC with housing “to live in decency and dignity in a healthy, safe, peaceful, and sustainable environment” . One of the means of implementation is cooperation with housing developers and banks. Housing to be developed is small 36-square-meter houses for low-income individuals or families, whether their income is steady or not; however, the income is to be within a certain range.

According to the Law No. 1 of 2011 on Housing and Settlement Areas, every person has a right to live a prosperous life physically and mentally, have a place of residence, and have an environment that is good and healthy. This right is a basic need for humans. In this present era, people have many choices to own a house, namely to build it themselves or

rent, buy in cash or in installments, grant, or through other means as according to their regulations. However, not all people can easily build a house. Several things are needed for a house to be built and occupied. It is no wonder that the business of housing in recent years has moved rapidly. Many companies engaged in this business emerged and provide many facilities and business developments.

Padang, as the capital city of West Sumatra Province, has an area of 695 km² and has a fairly high population. There are many companies in the housing property sector; they can be simple to luxurious houses according to people's requirements and their income. The majority of the developer build houses that can be purchased by the lower society income family, namely type 36 subsidized houses, which have a cheap price and easy to obtain. Type 36 houses are houses built for lower class families; through this type, customers can purchase them in cash and on credit given with long periods, 10 to 20 years . As a consequence, many developers compete to attract customers in the market to buy a house.

To be eligible for subsidized housing in Padang, applicants must meet the following criteria:

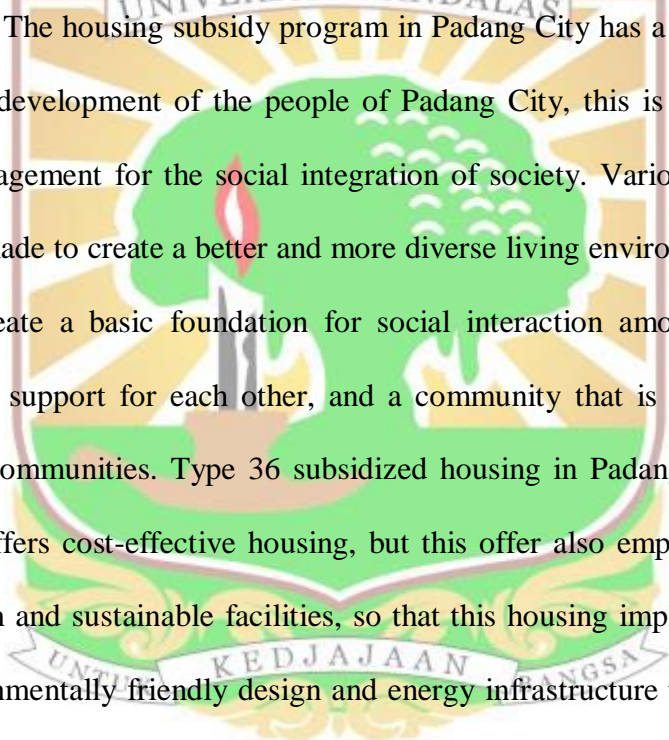
- **Indonesian Citizenship:** Applicants must be Indonesian citizens (Warga Negara Indonesia, WNI).
- **Age Requirements:** Applicants must be at least 21 years old or married, and must be under 65 years old at the time the housing loan is paid off.

- **First-Time Homeownership:** Applicants and their spouses (if applicable) must not have previously owned a home and must not have received any housing subsidies from the government.
- **Income Limit:** The primary income of the applicant should not exceed IDR 8,000,000 for those seeking to purchase a landed house or an apartment.
- **Employment Duration:** Applicants must have been employed for a minimum of one year.
- **Tax Compliance:** Applicants must possess a Taxpayer Identification Number (NPWP) or an Annual Income Tax Return (SPT) for Income Tax (PPh).

Customers who already own a subsidized house or have obtained a mortgage (KPR) for home ownership may still be eligible to purchase another subsidized house, provided they utilize an alternative payment method such as paying in cash or arranging a separate agreement with the developer.

Subsidized housing options, in particular, Type 36 housing units in Padang City have been recommended as potential ways to reduce the cost of buying a residence in the area. Overall, given the significant price increase for housing and challenging economic conditions in general, this dissertation review seeks to describe a comprehensive presentation of the benefits of Type 36 subsidized housing in Padang City. One of the factors

that suggest that Type 36 housing tends to be considered a more popular option is its affordability. Some of the prices that have been supported and subsidized are a form of support provided by the government to make housing more attractive to the community, even with various limitations on resources and finances. As a result, they tend to have opportunities that they did not have before, one of which is higher security and becoming one of the owners of this house.



The housing subsidy program in Padang City has a fairly high role in the development of the people of Padang City, this is also a form of encouragement for the social integration of society. Various efforts have been made to create a better and more diverse living environment so that it can create a basic foundation for social interaction among the people, mutual support for each other, and a community that is integrated with other communities. Type 36 subsidized housing in Padang City also not only offers cost-effective housing, but this offer also emphasizes various modern and sustainable facilities, so that this housing implements a more environmentally friendly design and energy infrastructure that tends to be more efficient. Apart from that, this residence is also a lifestyle encouragement for people to be more aware of the environment so that it can make a positive contribution to the health of its residents. One of the main factors in the satisfaction that the people of Padang have with Type 36 Subsidized Housing is its location. This is one of the key factors because the location of this housing is close to several important facilities.

Apart from that, the quality housing environment is also a matter of satisfaction for the people of Padang City regarding this housing. The comfort obtained from strategically located housing units makes it easier for people to access public services, transportation and other infrastructure, so this has a big influence on the satisfaction of the residents. Apart from that, the affordability factor felt by the housing owner also plays an important role in providing a sense of satisfaction for the buyers. The price reduction given to type 36 houses provides easy financial access for its residents with various facilities provided by the government, this makes it possible for people who have limited financial conditions to easily own a house, so this increases the overall sense of satisfaction for the community .Apart from that, the addition of housing infrastructure and upgrading to more modern facilities in type 36 houses also has an impact on the overall level of satisfaction of residents. The process of building a high-quality house, practical arrangement, and the process of integrating more contemporary facilities can also help increase the residents' sense of satisfaction by providing a higher sense of comfort, convenience, and functionality. Furthermore, resident happiness is highly impacted by marketing methods that are successful in clearly communicating the features and advantages of Type 36 housing. Precise portrayal and educational initiatives cultivate favorable opinions, which in turn enhance inhabitants' general satisfaction with their dwelling selection.

Recent feedback from residents of subsidized housing in Padang has highlighted some concerns regarding the quality of the housing provided. While the housing development adheres to the established regulatory standards, it has become apparent that there are aspects of the housing that may not fully meet the expectations of all residents.

The quality of subsidized housing is integral to the well-being and satisfaction of its occupants. Therefore, any dissatisfaction, even if slight, warrants careful consideration. It is essential to recognize that housing quality does not solely pertain to structural integrity, but also to the broader experience of comfort, safety, and community well-being.

In response to these concerns, it is imperative that a comprehensive assessment of the housing units be conducted to identify specific areas where improvements can be made. Engaging with residents to gather detailed feedback will be crucial in this process. Additionally, collaboration with local authorities, construction firms, and housing specialists will be necessary to ensure that any remedial actions taken are effective and sustainable. Addressing these concerns is not only about rectifying current shortcomings but also about reinforcing the commitment to providing quality housing for all citizens. Future housing projects should incorporate lessons learned from this feedback, ensuring that they meet or exceed the expectations of residents.

In conclusion, while the current state of subsidized housing in Padang meets basic standards, the expression of even slight dissatisfaction

signals a need for proactive measures to enhance housing quality. By doing so, we can better fulfill the social contract that underpins the provision of subsidized housing and improve the quality of life for the residents.

Additionally, the CEO of the housing development's reputation and the general perception of the brand have a big impact on how satisfied residents are. Residents are more trusting and confident when there is a well-respected CEO and a positive corporate image, which influences overall satisfaction.

Here are the participants in subsidized housing in the city of Padang.

Table 1. 1 The participants in subsidized housing in the city of Padang

No.	Developer	Proper
1	PT AGUNG ANUGERAH PROPERTI	AGUNG TIRTA PERSADA 2
2	PT ALANA RICH PROPERTI	ALANA RESIDENCE 6
3	PT BERMUDA TIGA KARYA	HALABAN PERMAI
4	PT BINA MAINT	PALAPA SAIYO VI
5	PT ARTHA DUTA MANDIRI	ARTHA DUTA PARK
6	PT ARTHA DUTA MANDIRI	ARTHA DUTA TAMPAT DURIAN
7	PT BINTANG KARYA WIJAYA	ARUMI CEMARA ASRI
8	PT MUDA GRIYA MANDIRI	TALAGO GREEN ASRI
9	PT FARENDA ARDINA ABADI	PERUMAHAN GREEN FARENDA 8
10	PT LANEFA KARYA PERSADA	LANEFA MITRA REGENCY

Source : Bank BTN Indonesia 2023

PT. Artha Duta Mandiri is one of the property developers in the city of Padang that builds housing with various models and types of homes that guarantee quality, building design, and comfort. The company offers two products: subsidized housing and commercial housing. Subsidized housing is part of the government's one million housing program for middle-to-lower-income communities with relatively affordable prices. Commercial housing is intended for upper-middle-class individuals or communities who can afford to pay for the housing according to their income.

Table 1. 2 House built by PT. Artha Duta Mandiri from 2021 - 2023

No	Nama Perumahan	Tipe Rumah	Tahun		
			2021 (Unit)	2022 (Unit)	2023 (Unit)
1	Artha Duta Tampak Durian	36 m ²	53	21	-
2	Artha Duta Park	36 m ²	-	18	17

Source : PT. Artha Duta Mandiri, 2023

Based on the data in Table 1.2 above, we can see the development of the number and type of houses built by PT. Artha Duta Mandiri during the last three years. Based on this data, we can conclude that the company focuses more on building housing for the middle to lower class. This can be seen from the large number of 36-type houses built by the developer itself. The reason for the market segmentation for the middle to lower class is based on the fact that consumers with middle to lower incomes tend to buy houses in housing complexes because of several conveniences. On the other hand, consumers in the upper-middle class

generally prefer to build their own houses on the land they buy and design the desired house shape themselves.

Due to a sharp rise in sales over the previous three years and a quick product turnover, we decided to poll a sample of fifteen PT Artha Duta Mandiri customers to find out why they were happy with the subsidized homes at the company.



Table 1. 3 Reasons the customers satisfied of subsidized homes at PT Artha Duta Mandiri

Customer(Respondent)	Alasan Membeli Rumah					
	Location	Price	Product Quality	Marketing	Reputasi CEO	Brand Image
Respondent 1					✓	✓
Respondent 2	✓		✓	✓		✓
Respondent 3	✓					✓
Respondent 4	✓	✓	✓			
Respondent 5	✓			✓		
Respondent 6			✓		✓	✓
Respondent 7		✓			✓	✓
Respondent 8			✓			
Respondent 9	✓			✓		✓
Respondent 10			✓	✓		✓
Respondent 11			✓			
Respondent 12		✓			✓	
Respondent 13	✓		✓			✓
Respondent 14	✓					✓
Respondent 15		✓	✓			

Source : PT Artha Duta Mandiri, 2023

From the results of the survey conducted by the researcher, it can be concluded that more than 50% of PT Artha Duta Mandiri respondents satisfied with the housing considering the location, quality product, and brand image. So

that based on the survey outcome the researcher is interested in conducting research with title : *The Influence of Location, Product Quality, and Brand Image Towards Customer Satisfaction of PT Artha Duta Mandiri Subsidize House Customers in Padang*

1.2 Research Problems

Based on the background description of the problem, the research problem can be formulated as follows:

1. How does location influence on the customer satisfaction with the 36-type of subsidized housing at PT. Artha Duta Mandiri in Padang?
2. How does product quality influence on the customer satisfaction with the 36-type of subsidized housing at PT. Artha Duta Mandiri in Padang?
3. How does brand image influence on the customer satisfaction with the 36-type of subsidized housing at PT. Artha Duta Mandiri in Padang?

1.3 Research Objectives

1. To determine the influence of location on customer satisfaction with the type 36 of subsidized housing at PT. Artha Duta Mandiri Padang.
2. To determine the influence of product quality on customer satisfaction with the type 36 of subsidized housing at PT. Artha Duta Mandiri Padang.

3. To determine the influence of brand image on customer satisfaction with the type of 36 subsidized housing at PT. Artha Duta Mandiri Padang.

1.4 Contribution of the Research

1.4.1 Theoretical Benefits

1. The results of this study is to contribute to and expand our understanding and knowledge regarding the impact of factors such as location, product quality, and brand image on the satisfaction of customers who purchase subsidized housing.
2. This study is expected to serve as a foundational resource for subsequent in-depth research into issues within the real estate business.

1.4.2. Practical Benefits

This research is expected to make a valuable contribution to the success of the real estate business, particularly within the subsidized housing segment. It is expected to provide decision-makers with a deeper understanding of the current dynamics within the industry, thereby facilitating improved strategic decisions for the industry's prosperity.

1.5 Scope of the Research

This research focuses on customers of PT Artha Duta Mandiri who have acquired subsidized housing. The theoretical framework of this study

encompasses four key variables: location, customer satisfaction, product quality, and brand image.

