

**UNIVERSITI TEKNOLOGI MARA**

**THE ROLE OF GOVERNMENT  
EXPENDITURE (PRODUCTIVE AND  
NON-PRODUCTIVE) TOWARDS  
HOUSING PRICES IN EMERGING  
MARKETS AND DEVELOPING  
ECONOMIES, AND ADVANCED  
ECONOMIES**

**RAINAH BINTI GINSAD**

**DBA**

**August 2021**

## AUTHOR'S DECLARATION

I declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This dissertation has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.


Name of Student : Rainah Binti Ginsad

Student I.D. No. : 2017505361

Programme : Doctor of Business Administration (AA901)

Faculty : Arshad Ayub Graduate Business School

Dissertation Title : The Role Of Government Expenditure (Productive And Non-Productive) Towards Housing Prices In Emerging Markets And Developing Economies And Advanced Economies.

Signature of Student :  .....

Date : August 2021

## ABSTRACT

The real house price has increased continuously since the beginning of the 20th century in most emerging market economies and advanced economies. It indicates the cost of owning a house has increased and has become an alarming concern to policymakers as it impacts society's wellbeing. Thus, in many countries, the government monitors and highly regulates the housing industry to ensure housing affordability is high and does not burden society. The United Nation's Sustainable Development Goal (SDG) 2030 highlighted the sustainable development goal for the people is to end poverty and make cities and human settlements inclusive, safe, resilient, and sustainable. In many countries, policymakers are obliged to provide affordable housing to society for wellbeing enhancement. Hence, the government allocates the budget for the housing policy's implementation, which may affect the household's savings and may influence the housing market demand in the long run. Although the relationship between government expenditure and housing price has not been widely researched, the existing literature exhibited inconsistent findings on the significant relationship between the variables. This study aims to examine the impact of productive government expenditures (defence, economic affairs, housing and community amenities, education, and health) and non-productive government expenditures (recreation, culture, and religion; and social protection) on housing prices, as well as the long-run relationship between the variables in selected countries, which classified as emerging markets and developing economies, and advanced economies. Annual data between 2008 and 2018 were collected from 11 emerging market and developing economies and 22 countries of advanced economies, which were analysed following the static panel data analysis procedure. Results showed that total government expenditure was significant in influencing housing prices in advanced economies but insignificant in emerging markets and developing economies. Education is the only productive government expenditure that showed a significant impact on housing prices in emerging economies, while none of the productive government expenditures found significant in influencing housing prices in advanced economies. Meanwhile, social protection is a non-productive government expenditure that significantly influences housing prices in advanced economies. Productive and non-productive government expenditures are evaluated as cointegrated with housing prices in the long run. The findings of this study provide new insight concerning the relationship between housing prices and productive and non-productive government expenditure. Moreover, the findings of this study may imply the policymakers to analyse further the relationship between housing prices and the government spending on education in emerging markets and developing economies, and social protection in advanced economies concerning housing policies to resolve housing price issues. Future research may employ fiscal policy as the independent variable, as the role of taxes in explaining the housing market should not be neglected.

## ACKNOWLEDGEMENT

I thank God for His grace, love, blessings, and miracles throughout the journey. The journey was full of colours. I am truly blessed.

The completion of my dissertation would not have been possible without the support and nurturing of my research supervisor, Professor Dr. Imbarine Bujang. I am truly thankful for his guidance, valuable time, and motivation that inspired and steered me through this research. Thank you for the University of Oxford experience Prof! Not to forget, I would like to express my deepest appreciation to my co-supervisor Dr. Taufik Abd Hakim for his commitment, constructive remarks, and ideas for the improvement of this dissertation. It was a great privilege and honour to work and study under their guidance.

I would like to express my greatest appreciation to my big family for their love, constant prayer, and supports throughout the journey. To my parents, you may be gone from my sight, but you will be forever in my heart. This is for you, thank you for everything! To my beloved husband, Jimmy Anak Betal, thank you for your endless love, encouragement, and unconditional supports. Thank you 'familia' – for always being my sunshine!

Special thanks to my DBA classmates (Ayu, Emi, Yvonne, Bib, Fili, Ilue, Mina, Dion, Datin Mariam, Cindy, Qadrina, Fizah, Lorraine, PM Ros, Boyd, Adrian, Wan, Nas, Mr Midin, Mr Roslan) for being my second family in this journey. Thank you for making so many ordinary moments, extraordinary! The journey could have been lonely without you.

I am also grateful to Arshad Ayub Graduates Business School (AAGBS), and UiTM Sabah Branch for this opportunity.

# TABLE OF CONTENTS

	<b>Page</b>
<b>CONFIRMATION BY PANEL OF EXAMINERS</b>	<b>ii</b>
<b>AUTHOR'S DECLARATION</b>	<b>iii</b>
<b>ABSTRACT</b>	<b>iv</b>
<b>ACKNOWLEDGEMENT</b>	<b>v</b>
<b>TABLE OF CONTENTS</b>	<b>vi</b>
<b>LIST OF TABLES</b>	<b>x</b>
<b>LIST OF FIGURES</b>	<b>xiii</b>
<b>LIST OF ABBREVIATIONS</b>	<b>xiv</b>
<b>CHAPTER ONE INTRODUCTION</b>	<b>1</b>
1.1 Background of the study	1
1.2 Problem Statement	7
1.3 Research Objectives	13
1.4 Research Questions	13
1.5 Research Significance	14
1.6 Scope of the study	17
1.7 Organization of study	18
<b>CHAPTER TWO LITERATURE REVIEW</b>	<b>20</b>
2.1 Introduction	20
2.2 Theoretical Background	21
2.2.1 The Fiscal Theory of the Price Level (FTPL)	21
2.2.2 The Hedonic Price Model	22
2.2.3 The Theoretical Model of Housing Demand and Supply	23
2.3 Housing Policies in Emerging Markets and Developing Economies and Advanced Economies.	26
2.3.1 Housing Policies in Advanced Economies.	26
2.3.2 Housing Policies in Emerging Markets and Developing Economies.	33