The Influence of Building Quality, Strategic Location, and Price on the Decision to Purchase Subsidized Housing in the Cileungsi Area

Yosua B Rachmat¹, Harlyn Siagian², Judith Tagal Gallena Sinaga³
¹Adventist University of Indonesia, Email: 2234024@unai.edu
²Adventist University of Indonesia, Email: siagian_unai@yahoo.co.id
³Adventist University of Indonesia, Email: Judith.sinaga@unai.edu

Corresponding Author: 2234024@unai.edu

Abstract: This study aims to present a comprehensive depiction of the factors influencing the decision-making process regarding the purchase of subsidized housing, focusing specifically on variables such as building quality, strategic location, and price. The research objectives include identifying the key variables impacting the choice of acquiring subsidized housing in the Cileungsi region through a quantitative descriptive approach. Utilizing purposive sampling, the study surveyed one hundred local residents who recently acquired homes through government assistance programs. Structural Equation Modeling (SEM) employing variance-based methods or component-based structural equation modeling, specifically Partial Least Squares (PLS), was utilized for data analysis. The anticipated outcomes of this investigation are expected to contribute significantly to understanding consumer behavior in the context of subsidized housing purchases in Cileungsi. Moreover, the application of PLS analysis methods is poised to provide an in-depth comprehension of the interrelationships among variables within the tested model and furnish strategic recommendations for developers of subsidized housing and pertinent stakeholders to enhance product appeal.

Keywords: Building Quality, Strategic Location, Price, Purchasing Decision

INTRODUCTION

In recent times, amidst the escalating prices of non-subsidized housing, subsidized housing has emerged as a favored option. Presently, more than ever, a residence must offer more than mere functionality; it must also cater to the desires and needs of its owner. Factors such as prime location, aesthetically pleasing and structurally robust construction, and delightful interiors have become essential considerations. In essence, seeking shelter is no longer sufficient; the shelter found must also be deemed adequate. Location stands out as one of the most fundamental considerations for buyers when acquiring a home, yet price is not the sole element currently weighed by individuals.

Given the rising demand for housing as an investment activity and limited land supply, the propensity for land prices to increase annually renders the property sector an appealing choice for consumers. Statements from Mr. Basuki Hadimuljono, dedicated to facilitating Low-Income Communities (MBR) in acquiring quality housing through subsidized financing, substantiate this claim. The Minister of Public Works and People's Housing has established
Regulation No. 20/PRT/M/2019 to facilitate and support low-income communities in homeownership. The Ministry of Public Works and Public Housing has allocated funds amounting to Rp28 trillion for subsidized housing programs in 2022. These funds will be allocated across four housing subsidy programs, namely 200 thousand units under the Housing Finance Liquidity Facility (FLPP), 24,426 units under Savings-Based Housing Financing Assistance (BP2BT), Subsidized Interest Rate Differential (SSB) totaling 769,903 units, and Down Payment Assistance Subsidy (SBUM) totaling 200,000 units.

In the current business climate, marked by intense competition, client retention is paramount for all organizations. It is anticipated that customers will continue making purchases. Companies integrate marketing techniques to meet these expectations, including enhancing customer purchasing decisions when selecting options. According to recent research by Susilowati and Utari (2022), priority factors to consider when choosing a home include housing environment comfort, accessibility, physical and social environmental conditions, policies, and laws regarding housing establishment, area pricing, and availability of housing-related infrastructure and facilities. Research by Anindita et al. (2021) emphasizes that before purchasing property, one must carefully consider building quality. Investing in high-quality structures may be risky, yet ultimately rewarding as buyers predominantly invest in their acquisitions. When a house is well-built, it provides peace of mind to the buyer and engenders happiness. This is how high-quality products inspire consumer purchases, directly influence profits, and inspire confidence in a company's ability to produce buildings of the highest standards. In addition to sturdy construction, ensure the house features high-quality plumbing and electrical wiring.

Particularly in conditions characterized by limited demand dynamics and increasingly fierce competition, pricing plays an immensely crucial role. With current fierce competition, pricing determination assumes a pivotal role, especially in buyer markets. For companies to continually succeed, it is vital to expand market share, boost revenue, and trim costs. This implies that pricing impacts business competitiveness and its ability to influence customers.

The operational location of a company's activities is a crucial consideration for customers. To attract buyers, an optimal location with convenient accessibility is desired. Land situated in proximity to essential services such as schools, workplaces, or markets can fulfill this criterion effectively.

In their comprehensive literature review, Tamunu and Tumewu (2014) identified product quality and price as two independent variables significantly influencing purchasing decisions. This finding aligns with previous research examining the impact of these factors on consumer behavior. Puspa et al. (2017) emphasized that location and price are pivotal research elements affecting consumer final evaluations. The influential role of product quality and pricing in shaping purchasing decisions has been consistently demonstrated by Zulaicha and Irawati (2016). Supriyono et al. (2015) assert that customer purchase decisions are positively influenced by three key variables: product, price, and promotion, with price exerting the most significant impact. Mustikasari (2014) highlighted that product quality, product design, and pricing are critical factors profoundly affecting consumer choices. Additionally, research by Hadi Brata et al. (2017) further supports these assertions, showing that sales of PT Jaya Swaras Agung's nitchi products in Central Jakarta are positively influenced by product quality, pricing, marketing efforts, and location simultaneously.

This study introduces innovation by incorporating strategic location as an additional variable and applying Partial Least Squares (PLS) Structural Equation Modeling (SEM) for rigorous analysis. The primary objective of this research is to deepen our understanding of how building quality, strategic location, and pricing impact the decision-making process for purchasing subsidized housing in the Cileungsi region. By focusing on building quality, strategic location, and pricing, this study aims to provide valuable insights that can serve as a guiding framework for developers, local governments, and other stakeholders in formulating more effective marketing strategies and policies within the subsidized housing market in
Cileungsi.

**METHOD**

This study falls under the category of descriptive quantitative research. Despite this categorization, the research methodology embodies scientific rigor aimed at data collection for specific purposes. The quantitative approach involves the use of observations, interviews, or questionnaires to gather information about a particular issue, as elucidated by Sarstedt et al. (2020). The purpose of gathering such information is to examine hypotheses or address research questions through surveys and similar instruments. Descriptive research endeavors to provide a comprehensive overview of the existing circumstances.

The study is centered around the Cileungsi area. A survey was conducted involving 100 respondents who have purchased subsidized housing, utilizing a purposive selection approach.

Partial Least Squares (PLS) is employed in this study for data analysis. PLS is a structural equation modeling (SEM) technique that utilizes variance-based or component-based methods. According to Sarstedt et al. (2020), the goal of PLS-SEM is to develop or construct theory with a predictive focus. PLS is utilized to ascertain the relationships among latent variables for prediction purposes. Despite its smaller sample size, PLS represents an effective analytical approach as it does not assume specific data distributions or measurements on particular scales (Hair et al., 2019).

**Validation and Reliability Assessment**

Validation and reliability assessment are performed to ensure the trustworthiness and accuracy of measurements conducted. Evaluation of validity and dependency can be observed through:

Firstly, the standard loading factor, which signifies the strength of the relationship between each item's measured construct and its corresponding score on the item or component, serves as a method to assess convergent validity. A correlation exceeding 0.7 between individual reflective measurements indicates strong validity.

Secondly, discriminant validity is assessed by examining the measurement model using size and cross-loading constructs. This model involves reflective indices. An instrument is considered valid based on discriminant validity, which is measured by comparing the extracted root mean square of variance (AVE). A value > 0.5 is indicative of validity.

Lastly, composite reliability, a structure-based metric expressed as the coefficient of latent variables, signifies the degree of dependency within constructs. A measurement result > 0.70 indicates a high level of reliability.

Moreover, composite reliability findings can be reinforced by employing Cronbach's Alpha.

**Instrument Testing**

<table>
<thead>
<tr>
<th>Instrument Test</th>
<th>Test Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validity Test</td>
<td>Convergent Validity</td>
</tr>
<tr>
<td></td>
<td>AVE</td>
</tr>
<tr>
<td>Reliability Test</td>
<td>Cronbach Alpha</td>
</tr>
<tr>
<td></td>
<td>Composite Reliability</td>
</tr>
</tbody>
</table>

**R-Square Testing**

In order to assess the extent to which one or more independent factors influence a dependent latent variable, researchers employ the construct of dependent R-square.

**Inner Model Analysis**

Inner Model Analysis, also known as Structural Model Analysis, is a technique used to estimate the strength of correlations among experimental variables. Smart PLS testing employs thorough model analysis to evaluate hypotheses. During hypothesis testing, one examines the probability and T-statistic results. Beta scores are utilized to confirm the
direction of relationships between variables, and a T-statistic result of 1.96 for a 5% alpha level is employed for hypothesis testing using statistical values. The acceptance or rejection of hypotheses is determined by the following criteria.

Ha: t-statistic > 1.96 with a p-value < 0.05.
H0: t-statistic < 1.96 with a p-value > 0.05.

RESULTS AND DISCUSSION

Outer Model Examination

Validity Assessment Findings

Validity testing is conducted to assess the reliability of the survey instrument. Convergent validity and Average Variance Extracted (AVE) are utilized as measures of research validity. An instrument is considered valid if the outer loading values exceed 0.7 and the AVE value is greater than 0.05.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator Code</th>
<th>AVE</th>
<th>Outer Loading</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Building Quality</td>
<td>KB1.1</td>
<td>0.542</td>
<td>0.714</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>KB1.2</td>
<td></td>
<td>0.733</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>KB1.3</td>
<td></td>
<td>0.743</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>KB1.4</td>
<td></td>
<td>0.701</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>KB1.5</td>
<td></td>
<td>0.773</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>KB1.6</td>
<td></td>
<td>0.750</td>
<td>Valid</td>
</tr>
<tr>
<td>Strategic Location</td>
<td>LS1.1</td>
<td>0.612</td>
<td>0.779</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>LS1.2</td>
<td></td>
<td>0.806</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>LS1.3</td>
<td></td>
<td>0.764</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>LS1.4</td>
<td></td>
<td>0.793</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>LS1.5</td>
<td></td>
<td>0.771</td>
<td>Valid</td>
</tr>
<tr>
<td>Prices</td>
<td>H1.1</td>
<td>0.586</td>
<td>0.758</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>H1.2</td>
<td></td>
<td>0.746</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>H1.3</td>
<td></td>
<td>0.723</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>H1.4</td>
<td></td>
<td>0.779</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>H1.5</td>
<td></td>
<td>0.817</td>
<td>Valid</td>
</tr>
<tr>
<td>Purchase decision</td>
<td>KP1.1</td>
<td>0.625</td>
<td>0.805</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>KP1.2</td>
<td></td>
<td>0.821</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>KP1.3</td>
<td></td>
<td>0.771</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>KP1.4</td>
<td></td>
<td>0.801</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>KP1.5</td>
<td></td>
<td>0.751</td>
<td>Valid</td>
</tr>
</tbody>
</table>
Reliability Testing Results

In this research, two reliability tests were utilized: the Composite Reliability Test and Cronbach's Alpha test. Cronbach's Alpha assesses the minimum reliability value or lower threshold. A Cronbach's alpha value exceeding 0.6 indicates excellent data quality. Similarly, composite reliability measures the true dependency of a variable. A composite reliability score above 0.7 indicates a strong level of dependency within the data.

<table>
<thead>
<tr>
<th></th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices</td>
<td>0.876</td>
</tr>
<tr>
<td>Purchase Decision</td>
<td>0.893</td>
</tr>
<tr>
<td>The Building Quality</td>
<td>0.877</td>
</tr>
<tr>
<td>Strategic Location</td>
<td>0.888</td>
</tr>
</tbody>
</table>

All items in the instrument are deemed reliable based on calculations. All variables have Cronbach's Alpha scores above 0.6 and Composite Reliability scores greater than 0.7.

Test the Inner Model

To assess the extent of influence of other factors on an endogenous variable, the coefficient of determination (R-Square) is used. Data analysis is conducted using the smartPLS program. The R-Square values are indicated in the following table:

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing Decision</td>
<td>0.677</td>
<td>0.667</td>
</tr>
</tbody>
</table>

The scores in the table indicate that the Purchase Decision variable is explained by building quality, strategic location, and price to the extent of 67.7%, with the remainder explained by other variables not included in this study.

Discussion

Building Quality -> Purchase Decision

The analysis of the first hypothesis regarding the impact of building quality on purchase decisions revealed a positive Beta score of 0.282 with a T-statistic of 2.825 (p > 1.96) and a p-value of 0.005 (p < 0.05), indicating a significant positive influence where building quality can enhance the decision to purchase subsidized housing.

The decision to purchase subsidized housing is influenced by multiple factors, with
building quality playing a pivotal role. Research suggests that product quality significantly affects purchase decisions (Akbar, 2020). These findings are consistent with previous studies (Rachmawati et al., 2019) that highlight the importance of constructive recommendations to stimulate sales in residential property markets (Rachmawati et al., 2019). Additionally, Sinulingga et al. (2021) emphasize the positive and significant impact of product quality on purchase decisions (Sinulingga et al., 2021). Moreover, Ali (2019) underscores the role of product quality in the purchase decision process (Ali, 2019).

Building quality is a critical determinant of customer trust, which, in turn, influences purchase decisions (Suhaily & Darmoyo, 2017). This aligns with research demonstrating that brand experience directly shapes brand perception and trust, thereby affecting purchase decisions (Akoğlu & Özbek, 2021). Furthermore, family influence on home purchase decisions underscores the complexity of decision-making processes (Levy & Lee, 2004).

In the context of subsidized housing, building quality is paramount. Bramantyo et al. (2019) highlight challenges in the subsidized housing market due to low-quality housing and inadequate infrastructure provided by developers (Bramantyo et al., 2019). Additionally, Rahmi et al. (2022) emphasize the significance of service quality in influencing consumer decisions, particularly in subsidized home purchases (Rahmi et al., 2022).

In conclusion, building quality significantly impacts purchase decisions for subsidized housing. It shapes customer trust, brand experience, and ultimately, purchase behavior. Thus, ensuring high-quality development of subsidized housing is essential to attract prospective buyers and drive sales.

**Strategic Location -&gt; Purchase Decision**

The initial hypothesis explored the impact of a strategic location on purchasing decisions. Research findings reveal a positive effect, characterized by a positive Beta coefficient of 0.341, a T-statistic of 4.277 (p > 1.96), and a p-value of 0.000 (p < 0.05), indicating that a strategic location enhances the decision-making process for purchasing subsidized housing.

According to pertinent literature, the strategic location plays a pivotal role in shaping the purchasing decisions for subsidized housing. The proximity of housing developments to city centers or commercial districts significantly influences consumer decision-making (Wijaya & Nurrahman, 2019). Conversely, undesirable proximity to locations such as waste disposal sites or remote areas can negatively impact purchasing decisions (Rahma et al., 2020). Additionally, the availability of ample sales space, parking facilities, and transportation accessibility at strategic locations are critical considerations for consumers when making purchasing decisions (Kelvinia et al., 2021). The utilization of decision support systems like the TOPSIS method facilitates quick and accurate recommendations for selecting optimal housing options, thereby assisting in decision-making processes (Nurelasari & Purwaningsih, 2020). Furthermore, understanding consumer preferences and ensuring housing developments align with living environment preferences are essential for governments and developers to effectively cater to the needs of targeted populations (Syafirina et al., 2018). Research also highlights that perceptions of pricing, product quality, and location significantly impact purchasing decisions (Mardiasih, 2020). Improving the quality of licensing services, both online and offline, through departmental coordination and integration, can enhance decision-making processes (Ramadhan & Sebayang, 2022). Developments in features such as online housing information and mapping applications address the demand for housing-related information, enabling individuals to search for preferred housing locations (Sopandi & Cahyana, 2016). Additionally, studies on residential location preferences around industrial areas using multiple linear regression analyses indicate that specific factors substantially influence location selection (Putri et al., 2023). Notably, the presence of minimarkets significantly influences purchasing decisions, underscoring the importance of location in consumer behavior (Nurlia, 2021). Urban sprawl and rapid housing development in suburban areas have resulted in social disparities and decreased natural resource production, highlighting
the critical role of location in housing development (Aisyah & Manaf, 2018).

**Price -> Purchase Decision**

The findings from the initial hypothesis testing, which examines the impact of price on purchase decisions, reveal a positive association whereby price can augment the decision to purchase subsidized housing. The statistical analysis yielded a T-statistic of 5.161 (p > 1.96) and a p-value of 0.000 (p < 0.05), indicating a significant positive influence.

Purchase decisions are significantly influenced by price, particularly in the context of subsidized housing. Consumers predominantly factor in price considerations when making purchasing decisions, as evidenced by research (Rukmayanti & Wang, 2022). Moreover, pricing strategies can influence customer sentiments during the purchasing process (Titging et al., 2022). Pricing remains a pivotal consideration for consumers in their purchase decisions, either directly or indirectly, based on research findings (Krisha, 2022). Additionally, the offered price is a critical aspect for prospective consumers prior to making purchasing decisions (Septyadi et al., 2022). However, research suggests that price is not the sole determinant in consumers' final evaluations (Astuti, 2021). Studies exploring the impact of price on consumer choices have generated conflicting conclusions. Alongside price, other variables influencing purchase decisions include product quality, marketing efforts, location, and service quality (Adrianoto, 2022; Zaini et al., 2020; Kelvinia et al., 2021). Price stands as one of the foremost considerations for customers when making purchases. Furthermore, price subsidies can bolster purchase decisions, as demonstrated by output price subsidies enhancing industry players’ welfare (Sebayang, 2020). Hence, in the realm of subsidized housing, a comprehensive consideration of factors like price, product quality, promotional efforts, and location is crucial in shaping purchase decisions.

**CONCLUSION**

Based on the findings from hypothesis testing, it is evident that the quality of the building, strategic location, and pricing significantly impact the purchasing decisions regarding subsidized housing. The quality of the building, represented by a positive Beta coefficient of 0.282, demonstrates a noteworthy positive influence, suggesting that enhancing building quality can effectively elevate purchase decisions. Similarly, both the strategic location, with a positive Beta coefficient of 0.341, and the pricing, with a positive Beta coefficient of 0.357, exhibit significant positive effects on the decision-making process for subsidized housing purchases.

Recommendations for housing developers are outlined as follows. Firstly, there is a critical need to improve building quality by focusing on enhancing the physical amenities of the housing units to attract a broader base of potential buyers. Emphasizing maintenance and the enhancement of building standards can have a favorable impact on purchase decisions. Secondly, developers should prioritize optimizing the strategic locations of subsidized housing by ensuring they are situated in easily accessible areas near public amenities. Articulating the positive attributes of these locations can reinforce purchase considerations. Lastly, competitive pricing strategies are essential given the significant influence of pricing on purchase decisions. Developers must carefully consider pricing policies to remain competitive and align with the value proposition. Transparent and equitable pricing practices can enhance buyer appeal and increase market traction. By implementing these recommendations, developers can anticipate heightened buyer interest and improved sales outcomes for subsidized housing projects.

**REFERENCE**


