

Analysis of the Impact of China's Housing Provident Fund on Housing Consumption and Economy

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Abstract: Housing Provident fund is an institutional fund pool established by the Chinese government specifically for housing consumption. This article aims to analyze the impact of China's housing provident fund on housing consumption and the economy. By studying the operating mechanism, policy implementation, and economic data of the housing provident fund, we conclude that the fund plays a positive role in promoting housing consumption, increasing housing purchasing power, promoting the development of the real estate market, and is of great significance for economic growth and social stability.

Keywords: China Housing Provident Fund; Consumption; Economy; Impact Analysis

Introduction

Housing is a fundamental need for people's lives and is of great significance for the stability and development of a country and society. However, with the acceleration of urbanization and the pressure of population growth, the housing problem has gradually become the focus of people's attention. In order to solve the housing problem, the Chinese government has introduced the housing provident fund system. As a mandatory savings system, the housing provident fund is paid by employees and employers in a certain proportion, and the accumulated funds can be used for purposes such as purchasing, renting, and repaying loans. In the past few decades, the Chinese government has been continuously improving its housing provident fund policy, committed to increasing the interest rate and loan limit of the fund, expanding its coverage, and promoting the effective use and development of the fund. The improvement of this policy has had a profound impact on housing consumption and economic development.

1. Operating mechanism of housing provident fund

The operating mechanism of the housing provident fund system includes stages such as deposit, withdrawal, loan, and management, which together constitute the operating mode of the housing provident fund system.

Payment, employees and employers shall pay housing provident fund in a certain proportion. Usually, the contribution ratio of employees is a certain proportion of their wages, and employers also need to pay according to a certain proportion. The contribution ratio will be adjusted according to regions and policies. Payment is the foundation of the housing provident fund system, which forms a pool of funds for the housing provident fund through joint contributions by employees and employers.

The accumulated housing provident fund can be extracted under certain conditions. The conditions for extraction include purchasing, renting, constructing, renovating self owned housing, repaying loans, providing medical treatment for serious illnesses, and educating children. There are differences in extraction conditions among different regions and policies. Employees need to apply for the withdrawal of housing provident fund in accordance with the prescribed procedures and conditions to meet their own housing or other needs.

Loans and housing provident fund can also be used to provide housing loans. After meeting certain conditions, employees can apply for a loan from the housing provident fund management agency to purchase their own housing or other housing related expenses. Housing provident fund loans typically have lower interest rates and longer repayment terms, making them more favorable compared

to commercial loans. The loan amount will be determined based on individual deposit status and policy regulations.

Management, the housing provident fund is managed by a specialized housing provident fund management agency. These institutions are responsible for collecting and managing the deposited funds of employees and employers, and handling withdrawals and loan businesses in accordance with policy regulations. At the same time, the management agency is also responsible for supervising and reviewing the use of the housing provident fund to ensure its legal and compliant use of provident fund.

2. Implementation of Housing Provident Fund Policy

The implementation of the housing provident fund policy is achieved through the formulation and implementation of relevant laws, regulations, and government documents. The Chinese government continuously improves its housing provident fund policy, striving to increase the interest rate and loan limit of the provident fund, expand its coverage, and strengthen its management and supervision to promote the effective use and development of the housing provident fund.

The implementation of housing provident fund policies involves the formulation and revision of relevant laws and regulations. The Chinese government has established the legal status and operational mechanism of housing provident funds through legislative procedures, such as national laws, administrative regulations, and departmental rules. These laws and regulations stipulate important contents such as the contribution ratio, withdrawal conditions, and loan policies for housing provident fund, providing a legal basis and norms for the implementation of housing provident fund.

The second is that the government further clarifies and refines the specific requirements and measures of the housing provident fund policy through policy documents and notices. These documents are usually issued by competent departments such as the National Development and Reform Commission, the Ministry of Housing and Urban Rural Development, and the Ministry of Human Resources and Social Security, and include policy objectives, deposit and withdrawal regulations, loan conditions and interest rates, management requirements, etc. Through these documents, the government guides local governments and units in the specific operation and management of implementing housing provident fund policies.

Thirdly, the government ensures the effective implementation of policies by strengthening the supervision and management of housing provident fund. Governments at all levels and relevant departments bear the responsibility of supervision and management, including the review of provident fund depositors, management of provident fund accounts, loan applications and approvals, and other links. The government strengthens supervision to prevent the misuse and misappropriation of provident fund funds, and ensures the fairness, impartiality, and long-term stability of the provident fund system.

Fourthly, the government also enhances public awareness and understanding of housing provident fund policies through promotional and training activities. The government promotes the importance and benefits of the housing provident fund policy through various channels and media, popularizes relevant knowledge to employees and employers, and improves participation and compliance. At the same time, the government also organizes training and educational activities to strengthen the cultivation and professionalization of provident fund management personnel, ensuring the smooth implementation of policies.

3. The impact of housing provident fund on housing consumption

The housing provident fund has played a positive role in promoting housing consumption, and the following is a further explanation of its impact.

3.1 Improving the ability to pay for home purchases

The accumulation of housing provident funds can effectively improve the payment ability of homebuyers. Through long-term deposit accumulation, homebuyers can accumulate a certain amount of housing provident fund funds, which can be used to purchase their own housing. This provides opportunities for homebuyers who originally had lower affordability to realize their housing dreams and increases their likelihood of buying a home. The housing provident fund, as a supplement to the purchase funds, provides certain economic support for homebuyers.

3.2 Reduce the economic pressure of purchasing a house

Housing provident fund loans typically have lower interest rates and longer repayment terms, making them more favorable compared to commercial loans. This reduces the economic pressure on homebuyers, making it easier for them to repay their loans.

Homebuyers can use the housing provident fund loan to purchase a house, and repay it in installments at a lower interest rate and a reasonable repayment plan, thereby reducing the burden of buying a house and increasing its attractiveness.

3.3 Adjusting the supply-demand relationship and stabilizing the real estate market

The housing provident fund plays a regulatory role in the supply and demand relationship of the housing market. The introduction of a housing provident fund can increase the purchasing power of homebuyers, thereby stimulating housing demand. This helps to balance the supply and demand relationship in the market and stabilize the development of the real estate market. The implementation of the housing provident fund policy can prevent the emergence of market foam, reduce speculation, and promote the healthy development of the real estate market. The housing provident fund system has played a positive role in promoting residents' housing consumption. This improves the payment ability of homebuyers, thereby reducing their economic pressure. At the same time, it can also adjust the supply and demand relationship of the housing market, thereby stabilizing the development of the real estate market. This is of great significance for promoting housing consumption, meeting the living needs of the people, and promoting economic growth and social stability.

4. The impact of housing provident fund on the economy

The impact of the housing provident fund on the economy is not limited to the field of housing consumption, but also has a positive impact in other aspects. The following is a further explanation of its economic impact.

4.1 Promoting the development of related industries

The operating mechanism of housing provident fund promotes the flow of funds and provides support for the development of related industries. The use of housing provident fund by homebuyers for expenses such as purchasing or renting houses has brought about demand growth for related industries such as construction and furniture, stimulating the development of these industries. For example, when purchasing a house, it involves building, decorating, and purchasing furniture. The use of housing provident fund promotes the development of these industrial chains, driving employment opportunities and economic growth.

4.2 Increase Consumption and Investment Motivation

The use of a housing provident fund can release the savings of homebuyers and increase their disposable income. This increases the motivation for homebuyers to engage in other consumption and investment activities, further stimulating economic development. After meeting their housing needs, homebuyers may increase their spending in other consumer areas, such as household goods, education, healthcare, etc., which promotes the development of related industries. In addition, homebuyers can also use the released savings for other investments, promoting the activity of the capital market and a virtuous cycle in the economy.

4.3 Improving the quality of life and happiness of employees

The use of a housing provident fund can improve the quality of life and happiness of employees. Housing is a basic need in people's lives. With the support of the housing provident fund, employees can more easily achieve their dream of living in peace and improve living conditions. This not only improves the quality of life of employees, but also enhances their sense of happiness and expectations for the future. Stable living conditions and employee satisfaction can help improve work efficiency and creativity, thereby promoting economic development. At the same time, the implementation of the housing provident fund system also reflects the government's image of caring about people's livelihoods and ensuring their welfare, enhancing social stability.

The impact of housing provident funds on the economy is not limited to the field of housing consumption. It promotes the development of related industries, increases the motivation for consumption and investment, improves the quality of life and happiness of employees, and thus has a positive impact on economic growth and social stability. The implementation of the housing provident fund policy is of great significance for promoting economic development and social progress.

5. Conclusion

In summary, China's housing provident fund has a positive impact on housing consumption and the economy. It has improved the payment ability of homebuyers, stabilized the real estate market, and promoted economic growth and social stability. However, the

government still needs to increase its reform efforts, improve the efficiency of the use of housing provident fund funds, balance regional development, and further improve the system to better play the role of the housing provident fund.

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