

## **An Analytical Examination of Theories in Public House Financing: Implications for Social Policy**

***Discipline: Commerce***

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### **Abstract:**

House financing aims to increase the social status of human beings. Sound housing finance system can fulfil the needs of poor and middle-class people regarding their housing problem. This paper explores the integration of three theoretical frameworks—Housing Needs Theory, Housing Deficit Theory, and Psychological Construct Theory—in the context of public housing finance schemes. By examining the interplay between these theories, the study identifies the multi-dimensional foundations necessary for designing effective, inclusive, and sustainable public housing policies. The implications of these theories for social policy are analyzed, with particular attention to their roles in shaping eligibility criteria, financing mechanisms, and user-centred housing programs. Additionally, the paper discusses how public housing finance serves as a pivotal instrument in promoting economic equity and social welfare, especially among marginalized populations. This comprehensive approach enables the formulation of socially responsive housing policies aligned with long-term development goals.

**Keywords:** Public Housing, Housing Needs Theory, Housing Deficit Theory, Psychological Construct Theory, Social Policy, Housing Finance

### **1. Introduction**

Access to adequate housing remains a critical component of social equity and urban development. Public housing finance schemes are essential tools employed by governments to address housing shortages, affordability issues, and social disparities. These schemes not only allocate financial resources but also play a transformative role in enabling vulnerable populations to secure stable living conditions. Effective public housing finance frameworks must therefore balance fiscal sustainability with the imperative for social justice. Residential satisfaction has been considered as a complex construct as its precise meaning depends on the place, time and purpose of assessment and on the value system of the assessor, involving an extensive range of people—architects, planners,

sociologists, psychologists and urban geographers (Bardo and Dokmeci, 1992). Galster (1985) pointed out that the concept of residential satisfaction has been utilized in at least four different ways: First, it has been used as a key predictor of individuals' perceptions of general quality of life. Second, it has been used as an ad hoc evaluative measure for judging the success of housing developments constructed by the private sector and the public sector. Third, it has been used as an indicator of incipient residential mobility and hence, altered housing demands and neighbourhood change. Fourth, it has been used to assess residents' perceptions of inadequacies in their current housing environment so as to direct forthcoming private or public efforts to improve the status quo. Therefore, it is essential to understand the concept of residential satisfaction within the milieu of its theoretical and empirical perspective.

Public Housing finance is always connected to a broader social outcome, residential satisfaction. Residential satisfaction, defined as the feeling of contentment when one has or achieves what one needs or desires in a house, is an important indicator and planners, architects, developers and policy makers use it in a number of ways. Indeed, theories of residential satisfaction all hinge upon the notion. It shows how the residents perceive and experience their house environment in align with their needs. It is to be noted that financial investment in public housing is not merely to increase the house stock, but to influence the accessibility quality and psychological wellbeing of the residents. It is clearly evident from the studies that residential satisfaction increases significantly when the public houses are funded adequately and the needs of the residents are met in connection with factors like community integration, location, safety, design. Also, it influences the mental health and economic stability of the residents. So, for a holistic well-being it is essential to ensure that policy formulation for public house finance integrates psychological and socio-economic perspective in the sense that investments lead not just to shelter provision but overall development of individual. This article is an investigation to three pivotal theories: Housing Needs Theory, Housing Deficit Theory and Psychological construct theory which will provide valuable insights into the multidimensional nature of housing challenges and their importance in inclusive social policy

## 2. Objectives

1. To investigate the various theories, Housing Needs Theory, Housing Deficit Theory, and Psychological Construct Theory in the context of public housing finance.
2. To analyze the shared concepts of these theories and how they can be included for a better and effective public housing finance schemes.

3. To understand the importance of the theories for social policy in terms of user satisfaction and accessibility.
4. To suggest measures for policy framework and housing programs based on evaluation of theories.

### 3. Literature Review

Housing is not only the mean of an individual's dwelling unit, but also a composite of the overall physical and social components that make up the housing system (Francescato, 1987). Satisfaction was not only the conditioned physical aspects but an ability for the formation of social networks (Williamson, 1981). Housing has many multidimensional contents like location, tenure (own or rent) type of structure (single, joint) and political limits (Shlay, 1998). There are two cognitive processes related to the measurement of residential satisfaction purposive evaluation and comparative evaluation (Gifford, 1997). Contents in theories can be clubbed for a comprehensive policy approach including both emotional and perceptual needs of residents and physical housing supply (Cairncross, Clapham & Goodland, 1997). As suggested, residential satisfaction has direct connection with personal identity, autonomy and wellbeing also cognitive and emotional perspective is also added in psychological construct theory (Somerville, 1997). Satisfaction is a kind of comparison process between what was received with what was expected (Parker & Mathews, 2001). An objective environment can have a subjective response of satisfaction (Potter and Cantarero, 2006). Residents perceptions and feeling of their environment and housing units can be evaluated through residential satisfaction (Ogu, 2002). The Housing Needs theory states that housing requirement is a dynamic need rather than static shaped by life stages, household consumption & socio-economic status (Clapham, 2005). Housing Deficit Theory emphasis the inadequacies in urban area housing quantity and quality as well as discuss the gap between available houses and demanded houses (Gilbert, 2002). As per recent studies housing policy should include structural and psychological components (Stone, 2006). A blend of theories can make housing programs more inclusive and shows real life experience of user (Friedman, 2010). Need based models and market driven contents must be included in social policy framework (Malpass, 2008). Policy can more effectively address sustainable living standards equity and inclusion and these should tune with theoretical triad (Tsemberis, 2010). Research by Andrews and Withey (2010) and UN Habitat (2020) throw light on the requirement of multisectoral collaboration and user engagement to make sure that housing policies serve their intended purpose. More sustainable housing solutions can be developed through the feedback of user, framing financial strategies with needs of residents. Guney and Yilmaz (2023) stated that satisfaction can be influence by diverse urban environment. Similarly, Zhang and Li (2023) explored

how the COVID-19 pandemic reshaped perceptions of residential adequacy in China. These studies provide critical insights into specific demographics and contexts.

However, despite the growing body of empirical evidence, a comprehensive theoretical synthesis that combines structural, financial, and psychological dimensions of housing within public policy frameworks remains underdeveloped. Most existing research tends to focus either on physical and economic conditions (e.g., affordability, accessibility) or on subjective perceptions (e.g., psychological well-being, neighborhood satisfaction) in isolation.

Moreover, while Housing Needs Theory, Housing Deficit Theory, and Psychological Construct Theory have individually been explored in various studies (e.g., Clapham, 2005; Somerville, 1997; Gilbert, 2002), there is limited integration of these theories to inform public housing finance policies holistically. Additionally, policy-oriented studies often lack emphasis on how residential satisfaction can serve as both a goal and a performance indicator for public housing programs.

Thus, the existing literature leaves a gap in understanding how multi-theoretical integration can directly influence public housing finance design and social policy formulation. Addressing this gap can lead to more inclusive, responsive, and human-centered housing finance strategies that align with long-term well-being and equity goals.

#### **4. Research Methods**

This study uses a qualitative analytical approach. The methodology involves thematic analysis of existing literature, policy documents, and case studies. Sources include government housing reports, peer-reviewed academic journals, and international development databases. Data was synthesized to identify recurring themes related to each theoretical framework.

#### **5. Analysis of Data**

##### **Housing Needs Theory**

Focuses on the dynamic requirements of households based on demographic and socio-economic characteristics. It recognizes housing as a social good, influencing the development of needs-based housing schemes.

Rossi (1955) played a pivotal role in developing the concept of “housing needs,” which he used to explain how individuals’ satisfaction or dissatisfaction with their housing is influenced by life circumstances. He argued that as households evolve—due to factors like family growth, aging, or economic shifts—their housing requirements also change. This dynamic often results in a mismatch between a family’s current living conditions and their preferred or ideal housing, a situation he termed a “lack of fit.” Such a mismatch

commonly leads to dissatisfaction and drives families to seek housing that better suits their evolving needs. Rossi emphasized that appropriate housing layouts and sizes are crucial for maintaining residential satisfaction. Consequently, when housing and neighbourhood environments fail to accommodate these changing needs, families are more likely to experience discontent and consider relocating.

### **Housing Deficit Theory**

Housing Deficit Theory explores the quantitative and qualitative gap between housing demand and supply. It has been extensively applied in urban planning and development literature, particularly in developing countries facing rapid urbanization.

Morris and Winter (1978) put forward the concept of “housing deficit” to throw light on the sources of residential satisfaction and dissatisfaction. They argued that individual access their housing condition through a set of norms like societal, personal and family standards. Societal norms include societal expectations of living conditions and Family norms combine standards and preference of each household. In their housing adjustment model of residential mobility, they state that dissatisfaction arises as a result of housing deficit. This arises when the actual housing condition do not meet any of the above norms. Thus, households who face such deficits respond by compromising their expectation or making physical alterations in their current housing. Also, they may relocate to their living environment as per their expectations and norms. This theory culminates how mismatches between perceived needs and actual living conditions influences mobility and policy demands.

### **Psychological Construct Theory**

This theory highlights components of residential satisfaction like emotional, psychological and identity relate contents. Articles for Sociology and psychology supports the importance of perceived safety, belonging and dignity in public housing outcomes.

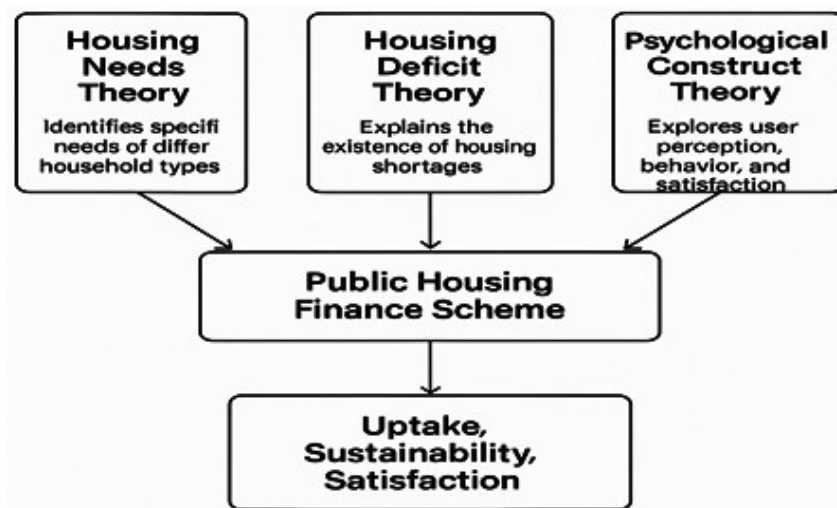
Galster (1985) introduced the concept of the “Psychological construct” of residential satisfaction mentioning that a reference point is formulated for each aspect of the housing situations mentally by each individual such a point is formulated on the basis of their personal needs, desires and expectations. Thus, when their present housing conditions meet or exceed the mental benchmark they experience a sense of satisfaction. Conversely, if there is a noticeable shortfall between the current state and ideal reference point- what Galster terms a “threshold deficiency”- dissatisfaction arises. Response from individuals to such a dissatisfaction may be either by adapting their expectations and evaluations to present housing situations or making a better living condition by renovations and relocations. But a low-income household has limitations in their choice

due to financial constraints or systematic discrimination which can affect residential dissatisfaction.

**The above analysis revealed three major themes:**

- **Structural Gaps:** Recurring mentions of housing deficits in urban and semi-urban areas validate Housing Deficit Theory.
- **Household Diversity:** Literature and policy emphasize the need to design housing based on varied household types and income brackets, supporting Housing Needs Theory.
- **Resident Perception:** Psychological factors such as security and identity are frequently discussed in qualitative evaluations of public housing, affirming Psychological Construct Theory.

Concept Map



## 6. Results and Discussion

The integration of these theories reveals a multi-dimensional aspect which helps to understand housing issues:

- Housing Needs and Housing Deficit theories intersect to highlight both demand and supply challenges in housing finance.
- Psychological Construct Theory adds a resident-focused layer, showing how housing design and communication impact satisfaction.

- Policies that ignore any one of these dimensions risk inefficiency, low participation, or public dissatisfaction.

This shows that effective housing finance schemes must align structural, economic and emotional factors

## 7. Suggestions

- Adopt a framework for housing policy in culmination with structural and human-centred approaches.
- Design co-participatory housing schemes that incorporate feedback from residents.
- Improve housing quality to address psychological factors such as safety and dignity.
- Use cross-sector partnerships to integrate finance, housing, and social welfare services.

## 8. Conclusion

To conclude, this research integrates Housing Needs Theory, Housing Deficit Theory and the Psychological Construct to understand public housing finance. Each of the theories contributes to a multidimensional range from individual needs, societal expectation and personal perceptions of satisfaction. While going through this dimension it is clearly evident that housing programs impact residential satisfaction and social well-being. Policy makers, by incorporating financial mechanism and multilayered nature of housing needs can craft strategies that are responsive and sustainable. This research affirms that public housing policy should set residential satisfaction as a central goal rather than considering it as a mere byproduct of housing access. As such future housing finance framework must combine individual perception as well as structural adequacy to ensure that houses provided through public house financing schemes genuinely uplift the quality of life for all residents. Thus, emphasising a shift in housing backed by theoretical analysis. A major shift in housing finance discourse-from concentrating in the number of houses to one centred on lives improved- thereby delivering more inclusive and impactful social policies. A combination of theoretical approach offers a wide framework for the design and implementation of public housing finance schemes. Including functional, structural and psychological dimensions in housing can bring about much better policies in align with the needs of the residents.

This study highlights the importance of aligning policy tools with theoretical insights to achieve sustainable and inclusive housing solutions. Future research should

further explore empirical applications of this framework across different geographic and sociopolitical contexts.

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