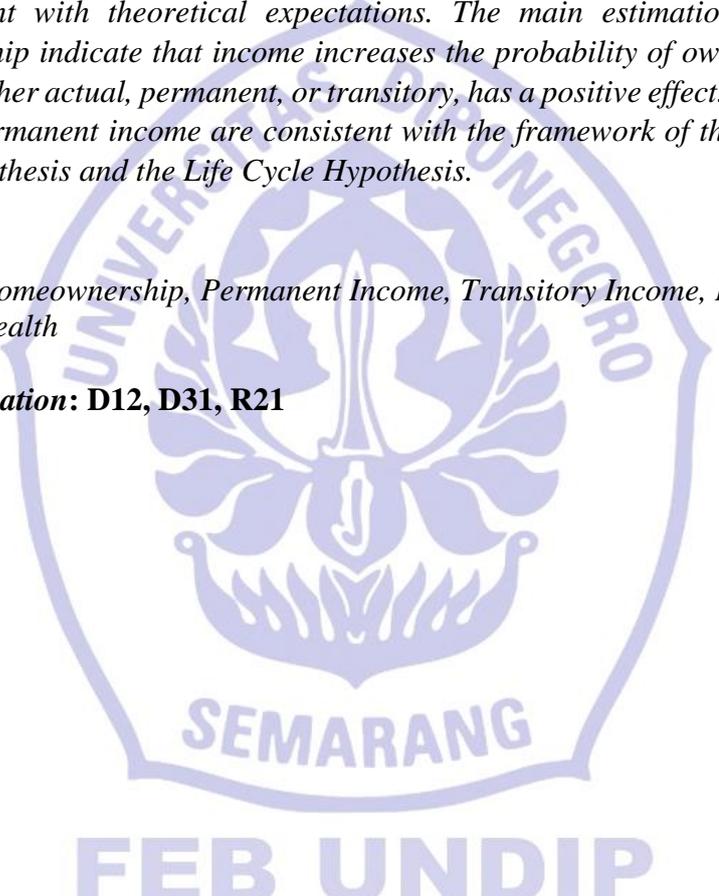


ABSTRACT

Homeownership represents a significant decision for households and is influenced by various factors, including income. This study aims to examine whether income affects homeownership in Indonesia by decomposing income into three components: actual income, permanent income, and transitory income. To achieve this objective, the study constructs and estimates both a permanent income model and a homeownership model using panel data from IFLS 4 & 5. A random effects model is employed for the estimation. The estimation results for permanent income are consistent with theoretical expectations. The main estimation results on homeownership indicate that income increases the probability of owning a home. Income, whether actual, permanent, or transitory, has a positive effect. The findings related to permanent income are consistent with the framework of the Permanent Income Hypothesis and the Life Cycle Hypothesis.

Keywords: *Homeownership, Permanent Income, Transitory Income, Human Wealth*

JEL classification: *D12, D31, R21*



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