



HOUSE FINANCE FOR LOW INCOME GROUPS IN PAKISTAN

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ABSTRACT

Shelter is the third basic need of human beings after food and clothing. Everyone has a desire to own a house. Pakistan is a developing country and due to limited resources, is unable to fulfill the complete demand of shelter of the population. In the four provinces, different housing schemes are offered by the government but due to the scarcity of resources, they are not enough to satisfy people. Governments should introduce new housing schemes in each of the four provinces, other than the existing ones. Private sector should also help the government in this regard by constructing employee's colonies and deduct the nominal amount from their salaries, so that by the time of their retirement they become the owners of their houses. Descriptive statistics technique is used to analyze the housing schemes with the comparison of population accordingly in each province. Pakistan is an Islamic country and due to religious issues people are not in favor of availing financing facilities provided by conventional banks and HBFC. But after the establishment of Islamic banks up to some extent this issue has been slightly resolved. Islamic banks should introduce house financing facility to women on easy terms and then up to some extent, help the government to solve the problem of providing shelter to the population. Banking sectors should easy the procedure of house financing to increase the number of borrowers.



Keywords: Shelter, Colonies, Scarcity of resources, Housing schemes, Banking sect

1. INTRODUCTION

The basic and most important desire of every human being is to have food and shelter. This phenomenon is explained by Maslow (1943).



Figure 1: Maslow, A. Motivation and personality
Source: Harper and Row (1970)

According to him, there are five levels of needs and the basic need of human beings is physical survival i.e. food and shelter and if this need is full filled then that motivates the behavior of a person who then helps others for achieving their desired targets as well.

Food, shelter and safety are the basic needs of a person and after fulfilling these needs then a person wants to move towards achieving the need of love and others. In developing countries, as well as developed countries, governments try with perseverance to provide food and safe shelter to the people; so that they can be able to help the country and automatically the country will move towards development.

In 1947, when Pakistan was established housing was a major problem for millions of people. The State was unable to provide proper shelter to them. Cooperative societies helped the government in providing shelter to them.

Pakistan is the seventh most populated country in the world and fifth in Asia. Since its establishment, in different eras of the government, different housing schemes were offered in each of the four provinces to lower income groups for the fulfillment of their basic need of shelter but due to improper utilization of resources, the state unable to resolve the issue of housing.

According to Article 38(a) –constitution of Pakistan “The state shall secure the well-being of the people, irrespective of gender, caste, creed and race, by raising their standard of living.”

Universal Declaration of Human Rights-Article 25(1) “Everyone has the right to a standard of living adequate for the health and wellbeing of himself and his family, including—housing”.

Slum means a rundown area of a city or town inhabited by very poor people. Squatter means unlawfully occupy an uninhabited building or area of land. Slums and squatter settlements exist because the poor cannot afford or access even the most minimal housing provided by the formal land and housing markets. Majority are facing problem in availing housing facility because of limited resources.

There are different types of slums and squatters in all over the world especially in Asian’s countries like Mumbai, Manila and Karachi where slums are over 50% of the city’s population. Slum exists in that area where there is traditional system of land tenure system. Low income group wants to live in that area where there is an opportunity of earning because it can reduce their cost and time. The prices of that land which are on secure side is high in prices as compare to that where there is a chance of landslides, near to railway lines and roadsides. Because of low prices of land this place is overcrowded and causes great difficulty in the settlement of the people.

They are also forced to occupy as little space as possible, which leads to very high densities and unhealthy levels of overcrowding in their settlements. The other alternative method to settle the lower income group in that town or places where land is easily available at reasonable prices, but their infrastructure is not properly maintained and that places are far away from the side of employment. Government and other NGO, s is trying to resolve the issue of that who lives in slums/squatters.

In Developing countries like Pakistan, due to limited resources, lower income groups become accustomed to living in slums/Quarters, where the condition of living is most unhygienic. No proper educations as well as health facilities are available.

Proper housing is the basic right of a person despite this fact more than 20% of population is around the world live in inadequate housing where there is very unhygienic condition of living. In Pakistan due to rapid urbanization and unavailability of low cost housing majority of low income group are living in slums/squatters.

Geographically, Baluchistan is the largest province of Pakistan but population wise, it is very small. Majority of the population are living in Mud-houses. That is why the demand of proper housing schemes is lower as compared to other provinces. In the regime of General Pervez Musharraf only one housing scheme was launched i.e. Sasti Basti in the city of Quetta which is the capital of Baluchistan. But however due to terrorist attacks, majority of the population have migrated to KPK and other parts of a country.

KPK— (Khyber pakhtoon khwa) population wise, is the third largest province of Pakistan. Peshawar is the capital of KPK. In this province; people are facing lots of problems related to safety and food because of immigrated people. The Government is not able to fulfill the need of all. The KPK government launched different housing schemes to provide better shelter to their people.

Punjab province, according to population, is the first largest province of Pakistan. Lahore is the capital of Punjab and also one of the most densely populated cities of the world. There is a rapid urbanization in the province. The government offered different housing schemes for lower income groups; the main scheme was Aashian, in different cities of the province.

Sindh is the second largest province of Pakistan. Karachi is its capital and metropolis. Majority of the population is living on the urban side. The Government introduced different housing schemes for lower income groups not only in Karachi but also in other cities. The Main schemes are: Khuda ki basti and Benazir housing scheme.

In the four provinces of Pakistan, different housing schemes were launched to provide better housing facilities to lower income groups, but due to limited resources and other issues the State was unable to satisfy them. KPK had to face lots of problems due to operation Zarb-e-azb because IDPs migrated in KPK. In Punjab, due to heavy rainfall most of the people became homeless and due to limited resources, the government could not provide them proper housing facilities. In Sindh, increasing urbanization creates problems of proper housing for the people.

In Pakistan conventional banks, financial institutions, Islamic banks as well as some private corporations are working in order to meet the challenges of providing housing facilities to all, especially the lower and middle-income class groups. No doubt they all are providing finance, but their terms and conditions are not quite appropriate for lower income class as well as middle income class groups.

Different Schemes were launched by the government of Pakistan, in different years, to satisfy the needs of people but due to land mafia, the government was unable to satisfy the demand of low and middle-income groups. This group (Land mafia) with the collation of some corrupt government officials sold parts of land illegally to lower income groups and called them katchi abbadis which resulted in people being in possession of land without having its actual ownership.

Banking sector and financial institutions play a very vital role to help the government for solving the problem of shelter by providing house finance to the people. Conventional banks offer house finance on construction, purchase of houses at different terms and conditions. Conventional banks provide finance on interest basis which is not appropriate to the majority because our country is an Islamic country and Interest is haram in our religion.

In 2003, the State Bank of Pakistan introduced the first Full Fledged Islamic Bank in Pakistan. Islamic banks are working according to the law of Shariah.i.e. Equitable distribution of wealth. People are in favor of borrowing for houses from Islamic banks as compared to conventional banks because Islamic banking is free of interest. Due to increasing financing %age of Islamic banks, the state bank instructs all conventional banks to open window for Islamic Banking.

This action of the state bank of Pakistan positively affects the attitude of the borrower. Those who are not in favor of borrowing because of interest can borrow the amount and full fill the demand of housing. House Building Corporation is the government financial institution which provides loan to lower income groups. Previously this institution offered loan on interest basis but due to religious issues HBFC introduced Flexi loan based on the law of shariah. The Banking sector and HBFC not only help an individual to solve the problem of shelter but ultimately help the government in its development.

The Problem of housing is not only present in developing countries but developed countries also face this problem but with the cooperation of private sector and other institutions, up to some extent these issues are resolved. In Pakistan, other than housing schemes some institutions also offer accommodation facilities to their employees. This increases the efficiency of an employee and in return the employer will get benefit in the form of profit.

2. LITERATURE REVIEW

When Pakistan got independence mostly immigrants were settled in Karachi, Lahore and Rawalpindi. The Government launched housing schemes for lower category for their

resettlement but due to different issues, these schemes could not be properly established; causing illegal quarter settlements/Slums to come into being. After the independence of 60 years Pakistan is still facing the problem of housing.

Now the population of Pakistan is rapidly increasing but due to limited resources people cannot afford proper shelter and still live in illegal quarters/Slums. Different governments took initiatives to solve the problem of housing for lower income groups by launching different housing schemes in provinces but unfortunately except KHUDA-KI-BASTI none other was a proper one- (RIZVI, 2012).

Housing is the basic need of a person and this is also a human right: to get an affordable and secure residence. Pakistan is still not in a position to provide easy housing facilities to the population of the country; because the population grows at a faster rate as compared to the housing facility provided by the Government. Laws and policies are prepared to increase the housing schemes but are unable to implement them.

Presently in Pakistan, housing conditions are overcrowding, Inadequate sewerage systems, poor building conditions. Estimated housing demand is much higher as compared to its supply. Various steps were taken to improve the national housing plan but unfortunately, they were unable to fulfill the demands of people (JABEEN et al., 2015).

Khan et al (2014), in a case study of Hazara Division, conducted a comparative study of conventional and Islamic bank's products related to house finance. Through random sampling, three largest Islamic banks and three conventional banks were chosen; and the study concluded that Islamic banks rendered better services of providing shelter to their clients as compared to conventional banks. Islamic banks rendered services based on Law of Shariah i.e. Equitable distribution of wealth.

The Government of Pakistan launched different housing schemes in 1986 to solve the problem of shelter for lower income groups like Khuda-Ki-Basti (KKB), Kala Shah Kaku, and Lahore Metropolitan. These schemes gave an opportunity of ownership and a feeling of happiness to lower income groups (SIDDIQUI; ZAIDI, 2007).

The demand of house finance increased due to increased migration of the population from rural to urban areas. In Pakistan, due to religious issues people are in favor of using Islamic bank's services related to house finance (JAVED et al., 2015).

Tariq (2012) in his study pointed out the disaster in Pakistan due to deadly floods and earth quakes. In spite of international donations, the huge destruction cannot be healed up

especially for low income groups. There is an urgent need of National policy to provide housing and financial assistance to the effected ones.

Pakistan is an Islamic developing country and a majority of people are not in a position to own their houses. Govt on its own level tries its best to provide shelter to all people but due to shortage of resources is unable to provide shelter to all. Islamic banks and other financial institutions are trying to help the govt in providing shelter to everyone on easiest terms (ANSARI, 2017).

In developing countries like Pakistan urbanization is a new trend in a globalized world. People leave their homes for the betterment of their standard of living. There is a lack of housing that creates lots of problems in this concern. Building of affordable housing is the solution of satisfying the basic need of lower income groups (MALIK; WAHID, 2014).

State bank of Pakistan play very important role in the growth of Islamic banking in Pakistan by introducing Islamic banking window in all conventional banks. The performance of Islamic banks can be analyzed with AID model. Islamic banking system is popular in other countries (NAJAF, 2016).

In Pakistan, due to religious issues and beliefs people are in favor of Islamic house finance. Islamic banks provide a wide variety of products that are based on the Law of shariah i.e. equitable distribution of wealth (ALI et al., 2015).

Islamic banking is not only functioning in Muslim countries, but western countries also use Islamic banking systems. Islamic banking system is based on the Law of shariah. It offers products like Ijarah (Lease purchase), Istisna (Deferred Payment), Modaraba (Trustee Finance Centre), Murabahah (Markup financing), Musharakh (Equity Participation) (KAMMER et al., 2015).

The important feature of Islamic Financial system is that it is based on Socio-economic justice. This system is based on profit and loss sharing. Islamic banking system controls the excessive lending process that is beneficial to the country (HASSAN; KAYED, 2009).

Butt et al. (2011), in their study analyzes the barriers that are the main hurdles in the smooth functioning of the Islamic banking. Non-users are dissatisfied with the performance of Islamic banks because Islamic banks do not completely follow the law of shariah.

In Pakistan, conventional microfinance products cannot fulfill the needs of Muslim clients so Islamic banking system operates an organization called Akhuwat. This organization



provides its services to the poor and extremely poor by lending interest free loans. These other Islamic tools help poor people in the fulfillment of their basic needs (AKHTER et al., 2009).

In Islamic banking system, Musharakh Mutanaqisah is a form of promise in which the bank purchases property and promises to transfer the title after full payment in case of default after making few installments he has some percentage of ownership that is not exist in conventional banking that is the reason Islamic banking grows faster as compared to conventional (MIHAJAL, 2016).

Sheikh (2016) in his study discusses alternate design for interest free house finance. Banks should buy houses by purchasing them from the owner and give that house to the client or rent it means that rent is the bench mark instead of interest. If client cannot pay the amount to the bank, then bank rent out the house to other clients. In this way banks fulfill the need of housing for the poor.

Ali and Siddique (2015) and Usman et al. (2015), in their study propose alternative for KIBOR for Islamic banks because this system is much more related to conventional banking system and Muslims are not in favor of availing Islamic banking financial services. The new model will increase the profitability of Islamic banks as well as be beneficial to the clients.

Religion Islam Emphasizes on Social justice and sharing of resources equally. Islamic banking system with the help of Shariah redistributes wealth equally amongst societies the basic purpose of this financing is to eliminate poverty from the society and build a healthy economy (IQBAL et al., 2012; RIWAJANTI, 2013).

Pakistan is a developing country so demand for housing scheme for low income group is high because people due to limited resources are unable to purchase their own houses. The Government should provide them affordable housing schemes in easy terms that help them to full fill basic need of shelter (AHMAD et al., 2002).

Islamic financing industry in Pakistan is growing rapidly. Islamic financing provide finance on the basis of Law of shariah. In Islam interest is prohibited so Islamic banks strictly followed this principle and provided financial services to their clients on interest free basis by offering different products like Musharaka, Modaraba, Istinsa, Ijara (FAHIM et al., 2017).

Personal loans have become a part of daily life of majority of Pakistani because of low income they cannot full their needs. In the early stage of banking, people borrowed money from the unlicensed lender who charged high rates of interest. With the evolution of banking, the concept of consumer finance has evolved. Consumer finance includes finance for purchase

of houses and its renovation, education of children and marriage of children. From the consumer point of view consumer finance helps them in improving their standard of living (HASSAN, 2011).

Inadequate provision of shelter creates problems for the urban areas of Pakistan. There is no social housing program except Katchi Abadi. Government should encourage local government in providing affordable land to lower income groups. Proper steps should be taken to create social housing schemes and also encourage the private sector to build affordable houses for lower income group by giving them some incentives (TASNEEM, 2014).

Pakistan is facing shortage of housing not only due to increase in population and unavailability of resources but also due to increased prices as well; which creates hurdles for lower income groups to buy houses. Proper national housing scheme should be prepared and implemented to resolve this serious issue (MAIMBO et al., 2006).

Karachi is a very densely populated city of Province of Sindh. There is a complex process of availability of land this is the reason that low income group faces difficulty in acquiring shelter. Political complications and Migration of people from other parts of country as well as from rural areas is great that causes shortage of houses (HASAN, 2015).

In 1986 Khuda-Ki-Basti in Pakistan was first introduced in Hyderabad. It was very successful housing schemes for lower income group then seven times it was replicated within Pakistan. This scheme requires better facility to the residence (SIDDIQUE; ZAIDI, 2009).

The demand of housing is greater as compared to income of the people in Sindh. Due to limited resources people cannot spent for the purchase of houses. In urban size due to financial constrain unable to spend more on housing (AHMAD, 2002).

In Punjab Colonization can improve the housing and other facility to lower income group. Government should take measures to improve Colony system for the better facilities that should be provided to the residence (ANJUM; HAMEED, 2007).

In Lahore for providing housing facility arable land converted in to residential purpose for urban use. In most of housing schemes majority plots are in built. Owners of that lot consider it as a suitable investment because government is not imposing any tax on it, but for improvement in housing schemes conversion expenses should be reduced that motivate land owner to convert arable land for residential purpose (ZAMAN; BALOCH, 2011).

In Punjab increasing urbanization has great pressure on the housing and land market. No proper system of public ownership and other factors badly affect the housing market. Government should introduce any reform agenda or frame work that will improve the functioning of urban land and housing market (DOWALL et al., 2009).

Appropriate finance can easily lower the cost of building and affordable to lower income group. New schemes like Housing micro finance, Community based finance, consumer credit facility for building houses up to some extent solve the problem of shelter to lower income group (FERGUSON; SMETS, 2009).

In past years due to lack of resources lower income group cannot afford houses because there is only saving schemes available that could not full fill the need of shelter but due to change in policies of finance with the cooperation of NGO's and local government up to some extent they can afford housing (MITLIN, 2008).

Islamic banking grows very fast in Pakistan since last ten years because it is based on interest free banking system. Islamic banking offers those products which are different from conventional banks. Islamic banking growth also the country in its development (KALIM et al., 2016).

Islamic Finance grows very rapidly because it is based on law of shariah. Increasing trend indicates that not only Muslim as well as Non-Muslim wants to avail Islamic financing facilities. Islamic finance growth helps the country in its development. Different Financing product offered by Islamic banks include Ijarah (Lease purchase), Istisna (Deferred payment), Modaraba (Trustee finance), Muraabahah (Mark-up financing), Musharakh (Equity participation) (KAMMER et al., 2015)

Islamic financial instruments are based on Law of Shariah. IFI uses Murabaha, Ijara and Diminishing Musharaka. The major problem in the IFI is the dominant attitude of Conventional banking. IFI. New Financial instrument are using by Islamic banks to promote Islamic banking i.e. based on Law of Shariah (DINC, 2017).

In Malaysia Islamic banks uses Bithaman Ajil contract for House financing. This has some problems so Muhammad et al. (2013), in their studies provided alternative of it i.e. Musharakah Mutanaqisah. This is an ideal contract and more shariah compliant.

In Turkey Murabaha financing is used by Islamic banks. Dinc (2017) in his study analyzed that Diminishing Musharakah is an interest-free financing model and beneficial to the clients and much better than Murabaha Financing.

3. RESEARCH OBJECTIVES

- To explore different housing schemes for lower income groups launched by government in four provinces.
- To access the housing scheme with the growth rate of the population.
- To evaluate the performance of Conventional banks and Islamic banks in providing house finance facility.

4. PROBLEM STATEMENT

Maslow hierarchy level consists of six levels and first level includes food, cloth and shelter. After the fulfillment of basic needs, a person moves ahead to achieve the next level. The main purpose of this study is to examine the different housing schemes offered by the government to lower income groups to fulfill their needs and how financial institutions help them out in availing the opportunity of becoming the owners of a house.

5. RESEARCH ASSUMPTIONS

- Housing schemes launched by the government are showing increasing trend
- Housing schemes are growing faster as compared to the growth rate of the population.
- Financial institutions, Conventional banks and Islamic banks help people to fulfill their need of shelter

6. RESEARCH QUESTIONS

- Do the housing schemes launched by govt show increasing trend?
- How the housing schemes grow faster as compared to the growth rate of the population,
- How financial institutions, conventional banks and Islamic banks help people to satisfy their need of shelter.

7. RESEARCH METHODOLOGY

This research used mix method technique. Population of study includes all financial institutions, conventional banks and Islamic banks working in Pakistan. The Sample size is the largest financial institution i.e. House building finance corporation, Habib bank Ltd and Mezan Islamic bank. Data has been collected from secondary sources i.e. from annual reports, research papers, Websites and leading English newspaper.

Data is analyzed through descriptive statistics not just to find out the performance of above mentioned institutions related to satisfy the basic need of shelter but also to analyze the total financing provided by banking sector along with the major contribution of Islamic banks working in Pakistan.

8. RESULT ANALYSIS

Government of Pakistan in four provinces in different years provided housing schemes to lower income groups to fulfill their basic need of shelter. The assumption 1 of this research is that Housing schemes launched by the government showing increasing trend in four provinces can be analyzed separately province wise.

8.1. Baluchistan Province:

Geographically Baluchistan is the largest province of Pakistan, but population wise the smallest one. This province is full of natural resources. It is the second major second supplier of Sui gas to Pakistan. Varieties of languages are spoken in Baluchistan but mainly: Balochi and Pushto. Majority population belongs to poor families and lives in mud houses.

This province suffers a lot due to terrorism attacks and mostly people migrated to other provinces. Capital of Baluchistan is Quetta. In different years different housing schemes were launched but not successfully functioning because of different political issues. Gen.pervaiz musharaf launched a housing scheme in Baluchistan named “SASTI BASTI”.

Its population is 6.1% of total population. Province of Baluchistan faces lots of problem related to proper housing due to terrorist attack. This condition badly damaged the whole infrastructure of the province. Majority are migrated to other places of the country. In different years different government launches different housing schemes for low income group but due to unavoidable circumstances all schemes cannot be successfully achieve desire result.

Table1: Comparison of Housing Scheme with population in Province of Baluchistan.

Total population-Pakistan	Baluchistan-population	%age-Total population	Housing scheme	%age housing scheme with population
200.742million	12.344million	6.1%	1	8%

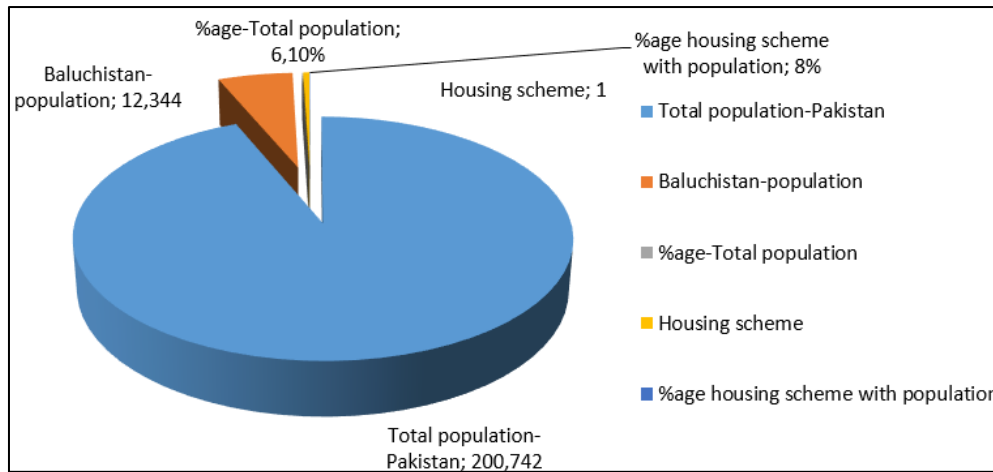


Figure 2: Comparison of Housing schemes with Population in Province of Baluchistan.

8.1.1. Analysis:

The above table and figure 2 indicate that in province of Baluchistan population is 6% age of total population of Pakistan i.e. very low population and government offer only one proper housing scheme to lower income group that is 8% of its population very low in number. This is the reason that residence of that area is not in a position to fulfill the demand of proper shelter.

8.2. Khyber Pakhtunkhwa (Kpk):

KPK population wise is the third largest province of Pakistan. Previously it was known as North-West Frontier. Geographically is the smallest province. Majority population belongs to Pashtu's. Peshawar is the capital of KPK. The word Pakhtunkhwa means Land of Pakhtuns. There is a tribal system in KPK. The provincial language is Pashto. Urdu is widely spoken as a second language.

Its population is 15% of total population. Two important housing schemes launched by government are Khapai Kor model Housing and Jalojai Housing scheme. The government also provides finance from the banks because these schemes are launched to provide better shelter to lower income group.

Table 2: Comparison of housing schemes with population in Province of KPK.

Total population-Pakistan	KPK-population	%age-Total population	Housing scheme	%age housing scheme with population
200.742million	30.5million	15.2%	2	6.55%

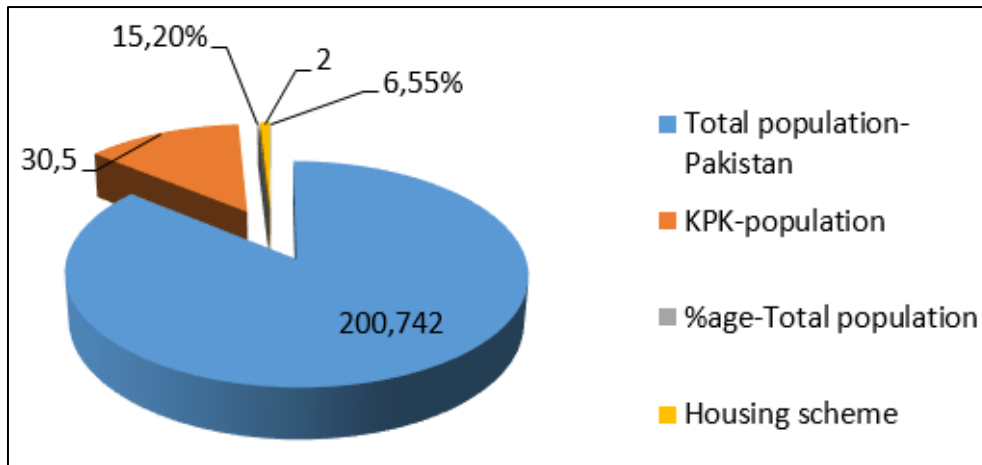


Figure 3: Comparison of Housing with population in Province of KPK

8.2.1. Analysis:

The above table and figure 3 represent that Total population of Pakistan is 200.742 million whereas KPK population is 30.5 million i.e. 15.2% of total population but government offered only two housing schemes for lower income group i.e.6.55% of its population. Very low number of schemes as compare to population.

8.3. Punjab:

Population wise province of Punjab is the largest province of Pakistan. Its population is 54 % of total population. Punjab means “Five Rivers”.1. Jelum.2Chenab 3. Ravi. 3. Beas .4. Sutlej. It includes parts of Azad Kashmir. Islamabad is its capital. Major cities include Lahore, Faisalabad, Multan, Pindi; Ludhiana. Lahore is the second metropolitan city. Punjabi is basic primary language. Lahore is the capital of Punjab.

In different eras a different housing scheme launched by government but most common is Ashiana.This scheme launched in different cities of Punjab like Lahore, Faisalabad, Sahiwal, Iqbal barki etc. with other housing schemes. Punjabi is the primary language of the province. In 1987 Prime minister Mohammad Khan Junejo Government launched a housing scheme for the lower income group called “APNI BASTI”.

In the second term of Prime minister Nawaz Sharif launched a housing scheme with the name of” MERA GHAR”. “Khuda Ki Basti” is that type of Housing scheme launched in Punjab, Karachi and Hyderabad. The other scheme offered by Muhammad Shahbaz Sharif is “Ashiana Housing Schemes”.

These schemes were launched in Quaid Lahore, Faisalabad, Sahiwal, and Iqbal-Barki Road. The purpose of all these schemes are to provide better housing facility to lower income groups that in return benefit to the country for its development.

Table 3: Comparison of housing schemes with population of Punjab province.

Total population-Pakistan	Punjab-population	%age-Total population	Housing scheme	%age housing scheme with population
200.742million	110.012million	54.8%	8	7.27%

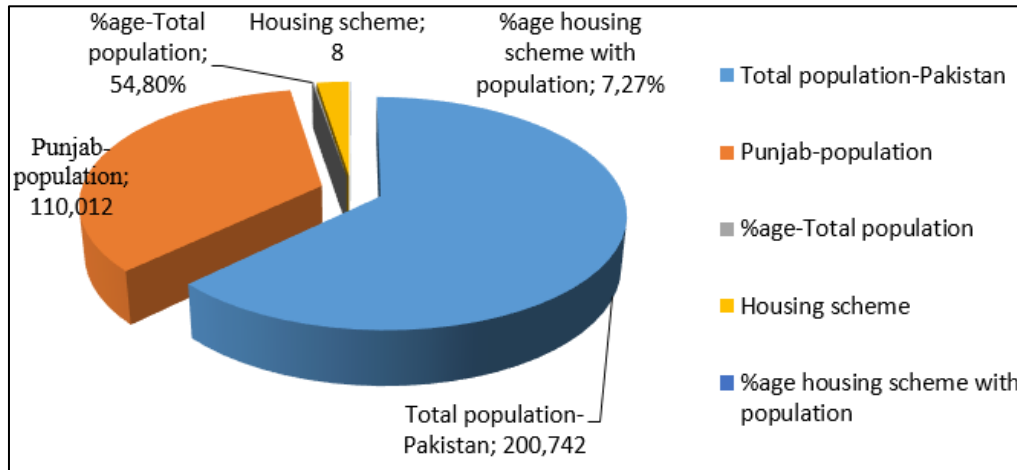


Figure 4: Comparison of housing schemes with population of Punjab province.

8.3.1. Analysis:

Table 3 and Figure 4 indicate that in Punjab province total population is 54.8% of total population of Pakistan. It means that Punjab population wise very large province. Housing schemes provided by government is 7.27% of its population it means that due to larger one government faces very difficult to provide better housing schemes to them.

8.4. Sindh:

Province of Sindh is the second largest province of Pakistan. Its population is 23.8% of total population of Pakistan. Important cities are Karachi, Hyderabad, Larkana, Baden, Nawabsha etc. Sindhi is the basic language of this province and second language is Urdu. Karachi is the capital of Sindh. Karachi is very densely populated city.

People having different cast and culture are living here that's why it is called a metropolitan city. Karachi has over 1.7 million illegal immigrants (Reported by National Aliens Registration Authority). At the time of establishment when state was not in a position to provide shelter to the people due to limited resources in all over Pakistan especially in Sindh people started living in Illegal areas like Quarters/Slums where there was no proper facility available.

Government after settlement started to provide better housing facility to them by launched khuda Ki basti housing scheme in Hyderabad then other parts of the country also. Other than different housing schemes are launched by government to full fill the need of shelter to lower income group like Benazir housing schemes, New Karachi Township, Metroville program etc.

Table 4: Comparison of housing schemes with population of Sindh province

Total population-Pakistan	Sindh-population	%age-Total population	Housing scheme	%age housing scheme with population
200.742million	47.886million	23.8%	10	20%

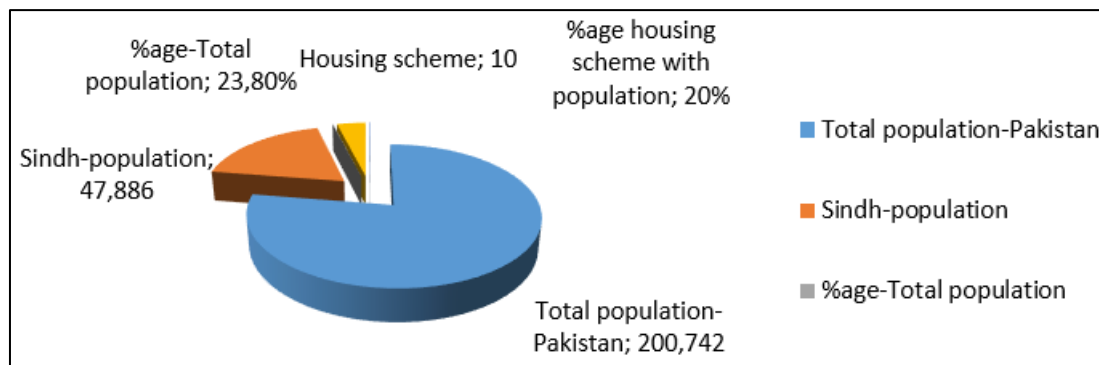


Figure 5: Comparison of Housing schemes with population of Sindh province

8.5. Overall View of Housing Schemes Launched by Government of Pakistan.

In Pakistan since its independence Pakistani government launched different housing schemes to provide better housing facility to the people of Pakistan but unfortunately due to limited resources was not in the position to provide complete housing facilities to the population.

Due to limited housing schemes poor persons started to live in slums/illegal quarters that created lots of other problems for the government. Terrorism badly affects the development process of the country especially in the province of Baluchistan. The instability of political situations also causes the destruction of other important plans.

Table 5: Housing schemes in Pakistan.

Synod	Province	Name of Schemes	Total number
1	Baluchistan	Sasti Basti'	1
2	Punjab	Apni basti, Meraghar, Ashiana housing schemes – Lahore, Faisalabad, Sahiwal, Iqbal-barki, Kala Shah Kaku, Khuda Ki baste.	8
3	K.P.K	Khpal Kor Model Housing Scheme, Nowshera Jalozaï Housing	2
4	Sindh	The Korangi and New Karachi townships, metro Ville program, khuda – Ki-Basti, scheme33, Kitchi Abadi, Shah Latif Town, Surana Benazir program me in Larkana, Sukkur,Khairpur,Thatta,Badin.	10

Source: Statistic bureau

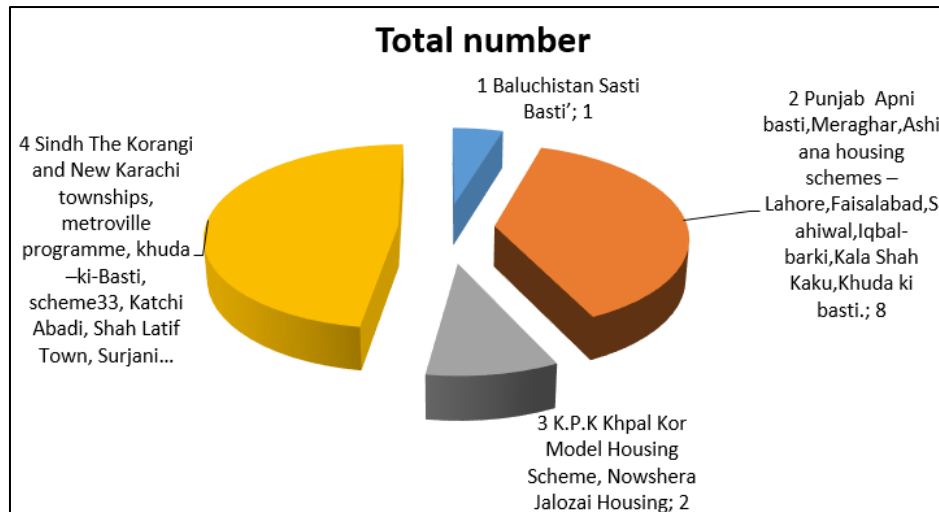


Figure 6: Housing schemes in Pakistan

8.5.1. Analysis:

The above table and figure 6 indicate that government of Pakistan has launched different housing schemes for the fulfillment of the basic need of shelter to the lower income groups. In the province of Sindh, a Larger number of public Housing schemes have been launched as compared to other provinces because majority populations are on urban areas.

The second objective of this study is to access the growth percentage of housing scheme with comparison of population is analyzed through assumption 2.

Table 6: Comparison of Province Population with Hosing Scheme

S.No	Provinces	Population(millions)	%age-population	Housing schemes	%age-housing schemes
1	Baluchistan	12.344	6.14%	1	4.76%
2	K.P.K	30.5	15.19%	2	9.5%
3	Punjab	110.012	54.8%	8	38%
4	Sindh	47.886	23.8%	10	47.6%
	TOTAL	200.742	100%	21	100%

Source: Statistic bureau

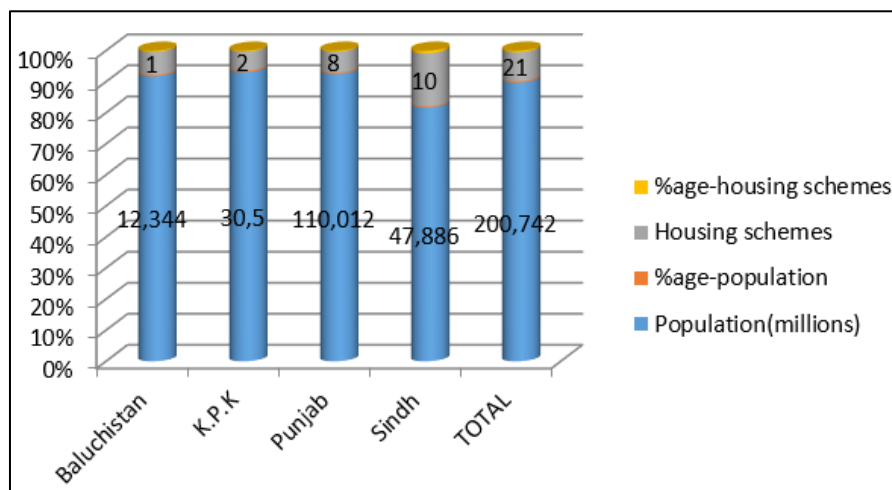


Figure 7: Comparison of Province Population with Housing Scheme

8.5.2. Analysis

Table and figure 7 represent that in three provinces like Baluchistan, K.P.K and Punjab housing schemes offered by the government are showing decreasing trend as compare to their population but not in Sindh. Basically, majority of population in Punjab. KPK and Baluchistan are in rural areas where house financing is not required much. In Sindh, the Majority are living in urban areas which is why the government is offering different housing schemes that help out the lower income groups related to basic facility of shelter. Still more schemes are required to fulfill the basic need of shelter that automatically play a vital role in the development of the economy.

8.6. Important Organizations Provided Housing Facilities to Their Employees.

- WAPDA-water and power development authority
- KDA-Karachi development authority
- LDA-Lahore development authority
- KESC-Karachi electric and supply corporation.
- KU-Karachi university
- NED-nadirs haw eduljee dins haw
- D.H.A-Defence housing authority
- CDA-capital development authority
- FBR-federal board of revenue
- Civil aviation
- Pakistan police
- Pakistan Railway
- Pakistan Custom
- Pakistan Council for Industrial Research.
- PTCL-Pakistan Tele Communication
- Pakistan Steel Mill

8.7. Eligibility Criterion of Banking Sectors Product in Pakistan:

Shelter is the third basic need of human being. Proper housing is now become acute problem not in developing countries, but some developed countries also faces the problem of providing proper housing to the public. Government of Pakistan launched different housing schemes in different era to lower income group but due to limited resources that group cannot afford it. In that connection banking sector and HBFC play very important role by providing finance to them on east terms and conditions.

Eligibility criterion in conventional and Islamic banks is almost same. Conventional and Islamic banks differ in respect to interest. Conventional banks take interest in against of house finance whereas Islamic banks are based on Musharika. Equitable Distribution of wealth. House building Finance Corporation previously offer finance on conventional banking system but due to the demand of Islamic system HBFC offers loan on Islamic system free of interest.

Table 7: Banking Sectors Product and Eligibility Criterion

Description	H.B. L			H.B.F.C			MEEZAN BANK		
	BUY	BUILD	RENOVATE	BUY	BUILD	RENOVATE	BUY	BUILD	RENOVATE
Loan Tenure	5-20yrs	5-20yrs	5-10yrs	3-20yrs	3-20yr	3-20yr	3-20yrs	2-20 yrs.	2-15yrs
Loan Amount	3m-40m	2m-15m	2m-4m	10000000	10000000	10000000	500000-50 m	500000-50 m	500000-10m
Max.Finance	75%	70%	30%	-----	-----	-----	75%	75%	30%
Monthly Income	Rs100,000	Rs100,000	Rs100,000	No fix limit	No fix limit	No fix limit	Rs40000	Rs40000	Rs40000
Age	25-60yrs	25-60yrs	25-60yrs	18-60	18-60	18-60	25-65 years	25-65 years	25-65 years

Source: Websites

8.7.1. Analysis:

Table 7 indicates the overview of product offered by banking sector and eligibility criterion of house financing. It shows that Meezan Islamic bank eligibility criterion for monthly income of borrower is lesser and Limit of Finance is high as compared to other banks that are the reason people are in favor of availing financing facility offered by Islamic bank as compared to conventional and other Institutions.

8.8. House Financing

House finance acts as a bridge to provide finance to all especially to lower income group to fulfill the demand of housing. In Pakistan conventional, Islamic banks and HBFC provide finance to solve the problem of lower income group as regard to proper shelter.

As per data of Housing finance Review published by SBP “The gross loan amount outstanding as on December 31, 2016 of all banks and DFIs stood at Rs. 69.26 billion (Figure 2). Compared to June 2016, it showed an increase of Rs. 3.56 billion (5.42 percent). Over the year, housing finance portfolio showed an impressive growth of 13.90 percent.”

8.9. Conventional Banks:

Conventional banking is based on debt financing. Clients own the property and banks give secured loans to them. Conventional banks provide house finance on the basis of Interest.

Conventional banks provide financing for the purchase, construction and renovation of houses. In a conventional banking financing title of account is remain with the Client but possession of document is in bank custody till the final payment. Bank has a right to auction the property in case of default of client According to the data for the period ended dec2015 and 2016 “gross outstanding loans for private banks was Rs.22.31 billion. Over the year, total disbursements amounted to Rs. 21.6 billion.

Private Banks with Rs. 3.60 billion. Among commercial banks, number of new borrowers totaled 1079, Private Banks serving 459 and Public sector banks serving 77 new customers. Private Banks provide financing for the purchase of houses with the share of 36.55. Private Banks reported an average financing size of Rs. 8.5 million, Average maturity period of outstanding loans during Jul-Dec was 14.2 years. Public sector banks were 12.5 years. Commercial banks, private banks extended housing finance loans for average tenure of 14 years.” (House Finance Review reported by SBP).

8.10. Islamic Banks:

Islamic house finance is equity-based finance. In that both bank and client share ownership. Islamic banks based on Law of shariah i.e. equitable distribution of wealth. Interest is prohibited in Islam so Islamic banking system based on interest free banking. Islamic banks offered different Financing product like Murabaha, Ijara, Musharaka, Mudaraba, Istisna. Like conventional banks Islamic banks also provide finance to purchase, Construction and renovation of houses.

In the Diminishing Musharaka house financing contract the bank and the client co-own the house according to a predetermined ratio, if the bank invests 80% and the client invests 20%, the bank will own 80% of the property. In case of default in Islamic banks bank has the right to auction the property. “Banking sector-wise gross outstanding loans, for the periods ending December 2015 and December 2016 Islamic banks reported Rs. 26.62 billion the gross

outstanding housing finance of Islamic banking industry (Islamic banks & Islamic banking divisions of conventional banks) stood at Rs. 31.25 billion as on December 31, 2016.

Over the year, total disbursements amounted to Rs. 21.6 billion. Islamic banks extended new loan disbursements of Rs. 4.20 billion. Number of new borrowers totaled 1079, with Islamic banks serving 543, Average maturity period of outstanding loans of Islamic banks are 11.3 years.” (House Finance Review reported by SBP).

8.11. House Building Corporation.

House Building Finance Corporation Limited was established in 1952. Under the act of Parliament 1 to finance construction of houses in Pakistan. The basic purpose of establishment of HBFC was to facilitate the Low income and middle-income group in purchasing, construction and renovation of houses. Previously HBFC provide finance based on interest but due to religious issues new financing schemes i.e. Aasan Flexi Scheme based on Law of Islamic shariah. Free of Interest.

“In 2016 outstanding loan were Rs 15.56 billion. HBFC Disbursed Fresh loan 1.12 billion. Total number of borrowers is 582. HBFC provide finance for purchase of houses i.e. 45.56 billion, Construction Rs.16.41 billion and Renovation Rs 7.28 Billion. Average maturity period of loan is 14.8 years”. (House Finance Review reported by SBP).

Table 8: Comparison of House financing of banking sector with no of borrowers

S.NO	Institution	Financing (Million)	%age-Financing	Borrowers	%age-Borrowers
1	Islamic banks	7.9	42.25%	3971	12.9%
2	HBFC	1.7	9%	18242	59.4%
3	Pvt Banks	7.2	38.5%	4975	16.2%
4	Public sectors	1.9	10%	3519	11.4%
	TOTAL	18.7million	100%	30707	100%

Source: Statistical quarterly Review-2016

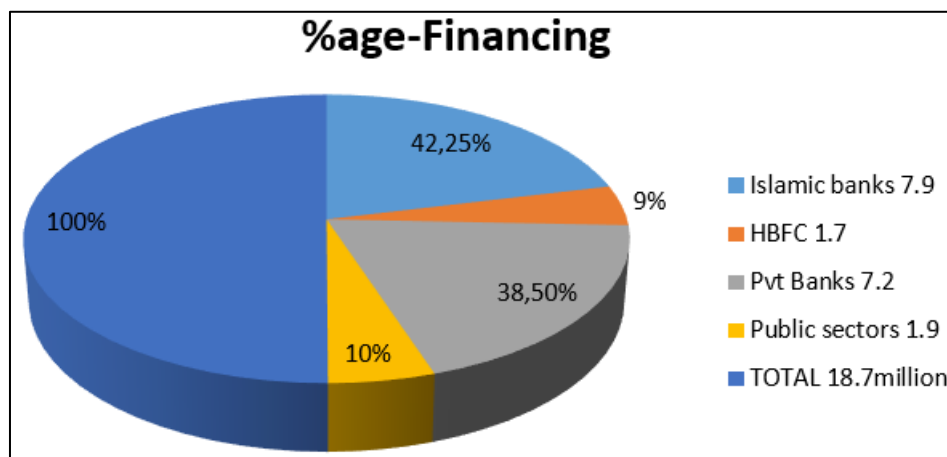


Figure 8: financing %age of banking sector

8.11.1. Analysis:

Table 8 and figure-7 indicate the financing %age of banking sector related to house finance and as well as total borrowers of the banking sector. Total financing is 18.7million and major portion that's 42.2% is contributed by Islamic banks whereas HBFC i.e. owned by government contributed only 9%. It shows that people are in favor of borrowing from Islamic banks as compared to other banking institutions because Islamic banks are working on Law of shariah i.e. equitable distribution of wealth.

No doubt no of borrowers are more in HBFC but amount financed is less as compared to others. Table 3 indicates that eligibility income for house finance of Islamic banks, being lesser as compared to other Institutions it means that Low income groups, with the help of house finance provided by Islamic banks, can easily afford houses on easy terms that in return fulfill the basic need of shelter and indirectly help the economic development of Pakistan.

9. CONCLUSION

This study provides the information related to different housing schemes launched by the government of Pakistan, in the nation's four provinces. Pakistan is an Islamic developing country so there are limited resources, which becomes a hurdle in providing more schemes. Population of Pakistan grows very rapidly whereas the government is not in a position to provide better housing facility to the people of Pakistan especially lower income groups.

Women's population in Pakistan is more than 50% but the government is not giving any special attention regarding to house financing. In Sindh province, the housing schemes are more as compared to other provinces because the population's majority is on the urban side but in other cities of Sindh majority are living in illegal Squatters/Slums. In Baluchistan, due to Zarab-Azab, Houses were destroyed but the government is trying to fulfill the demands of shelter in that area.

In Punjab agricultural land is converted, for residential purposes but due to no restrictions or taxes, the owner of the land keeps it in the form of a plot. Banking sector and HBFC is playing a very important role by providing house finance to the people of Pakistan. Conventional and Islamic banks offer easy term finance for purchase, Construction and renovation of houses. Majority of people due to Religious issues are not in favor of availing the financing facilities offered by banking sectors other than Islamic banks.

Total house financing provided by banking sector is 18.7 million and major portion i.e.7.2 million is offered by Islamic banks. Other than banking sector HBFC also provides

finance to lower income group. HBFC also offering FLEXI loan to lower income group that is based on Law of Shariah. All financing is for the lower income group without giving special attention to the women of the country (Half majority of total population)

10. RECOMMENDATIONS

- Government should launch more new housing schemes in the four provinces.
- Government should prepare proper policy regarding to implementation of Penalty when a person construct building on unauthorized property or illegal area.
- Private and Public sector should build houses for their employees like colonies and deduct nominal amount from their salaries so at the time of retirement they become the owners of those houses.
- Banking sector should also introduce new financing facility on easy terms of repayment so that more borrowers can avail the financing facility and fulfill the need of shelter.
- Islamic banks no doubt offer large finance as compared to conventional banks but should introduce house finance facility on easy terms to women.
- Government of Pakistan should improve the performance of HBFC so that people can avail the opportunity of house finance.
- Special incentive plan should be prepared for house financing to women.
- Government should impose tax or some charges on that agricultural land which can easily be utilized for housing purpose, but owner keeps it in form of plot for investment purpose.
- Government should also not only simplify the procedure as well as reducing the expenses of conversion of Agriculture land into residential purpose.
- Government should prepare policy for Public and Private sector to provide accommodation facility to their employees and deduct house rent from their salary. Provide accommodation according to their grades. (As followed by D.H.A and other institutions).
- Some major incentives related to housing should also be given to educationist because they are nation builders. Banking sectors and HBFC should also introduce new financing schemes on easy terms to them.

- Other than educationist some other Professional colonies can be established on governmental level for public and private sectors where according to Grades houses should be provided to the professionals.
- SBP Should launch comprehensive house finance training program that cover all aspects of product development, Loan and risk management.
- SBP should provide guidance to conventional banks, Islamic banks and other financial institutions regarding to reduction of construction charges and motivation of owner of vacant land for residential purpose.
- As urban area is densely populated so government should start improvement programs me in infrastructure in the suburb areas of urban side.

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