Islamic house financing:current models and a proposal from social perspective

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4 January 2011

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Abstract
Shelter is one of the basic needs for human beings. Its availability for the people is an Islamic imperative. In view of the appalling living conditions for a substantial proportion of population in most countries around the world, especially Muslim, Islamic banks have entered the field with varying schemes for house financing. In this infant industry, the effort is understandably guided by profit motive but a social dimension has to surface in course of time. Unfortunately, the models banks currently use for house financing remains under the juridical gaze, more so as the practice is not always found transparent. This paper looks at Islamic house financing models in a broader societal context. It evaluates the efficacy of the in practice financing structures and suggests a new approach. The proposed model is shown as superior to the existing ones. It meets the norms of equity, fair play and openness and does not presumably violate any other Islamic norm. Finally, the paper makes some policy suggestions to integrate Islamic house financing with broader social goals of an Islamic economy.

Key words: Housing problem; basic needs, Resource allocation, rural-urban migration; Conventional model, BBA in housing, the MMP model, Diminishing balances; planning

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1. Introduction

Among the basic necessities of civilized living shelter ranks only next to food and clothing. Yet a multitude of world population has over their heads no roof worth the name. The problem of housing insufficiency has assumed alarming proportions across the world. It is not so acute in the developed countries as in the developing ones but persists everywhere. The shortage is especially scary in the metropolitan centers; their expansion rarely knows any limits.[1] Population growth unceasingly tends to frustrate solutions. According to figures, available latest for the year 1996, approximately 52% of the total housing in Caracas of Venezuela consisted of squatter settlements. For Dar es Salam in Tanzania the figure was 49% and for Karachi in Pakistan 40%. The Indian movie *Slum dog millionaire* partly won the Oscars for highlighting the seamy side of Mumbai, the commercial capital of the country.

Housing affects health, culture and civility of people. Poor and inadequate housing breeds crime, creates unrest, lowers productivity and slows down growth. The UN House Settlement Program (UN-HABITAT) estimated that 600 million urban and 1 billion rural residents in the developing countries live in overcrowded homes with poor water quality, lack of sanitation and safe food preparation or storage (Brown, 2003).

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[1] "Cities in developing countries are growing at extraordinary rates, often compressing into decades the urbanizations process that has taken centuries in developed countries." Malpezzi and Mayo (July 1987, p.3)

The liberalization wave now sweeping the globe for decades has seemingly been restrictive of the public action to straighten the oblique market-oriented approaches to housing. Ironic it is that the housing market collapse in the US should have been the initiator of the worst ever economic crisis that afflicts the world today.

In Islam, the fulfillment of their basic needs including housing is the individuals' own responsibility but to make up deficiencies is a state obligation (Hasan, 1997). The governments in Muslim countries are, therefore, under faith compulsion to promote the construction of affordable residential houses for the people in need. The house financing schemes of banks – Islamic or conventional - have to be somehow made commensurate with societal requirements. The effort may include the promotion of cooperatives, group housing schemes and even private contributions. Tax concessions, subsidized land allocation and its long term leasing can be a few strategic elements for consideration. The effort of Islamic financial institutions in redeeming societal deficiency can possibly be seen as a sort of *fard kifaya.* House financing schemes in Muslim countries lack the linkages to reflect the awareness. It would be fatal to view banks as just 'for-profit businesses'.[2] Islamic business can in no way be de-linked from social business.

In evaluating the current modes of finance Islamic banks are generally using to provide credit for housing, one can hardly ignore the overall scenario. But we resist the digressive temptation for the moment and proceed to evaluate the existing models for house financing in the following Section 2. Here, the discussion focuses essentially on operational aspects as explained in the literature on the subject. Since the present financing practices are steeped in confusion and controversy, we shall present for readers' consideration a new model in Section 3 and show its efficacy for Islamic home financing relative to other models. In Section 4 we revert to the bigger picture alluded to above. We make a few policy suggestions in that context.

Finally, let us refer to a difficulty one comes across in juristic discussions on various types of financial contracts. Conventionally, each construct is generally named in the literature after a single Shari'ah norm. For example, one hears of murabahah, BBA or mudarabah contracts implying the exclusion of others. The exclusionist flavor limits the range of possible multiplication of contractual forms. At times, it may also feed the perceptions that one form of

[2] Iqbal and Salman (2007, p.14) say that "Islamic banks as any other private business in an Islamic system are for profit organizations. The authors are not alone. Many scholars, especially with Western orientation tend to promote the gospel in their writings on Islamic finance.

contract conflicts with the other. The fact is that often more than one norm is employed in a single contract. For a clearer understanding of various legal provisions, it may possibly help to state the basics of a general principle and bring in departures from it, if needed, as variants or exceptions. This may help in constructing broad-based hybrid models, reduce controversies and enhance the permissibility range for instrumental innovations. We shall have occasion to illustrate the point in the following Section.

2. Current models

2.1 The BBA variants

Currently the BBA - sale with price deferment – model has found much favor with the banks for safety reasons, (Rosly 2010, p. 536.) The contract in practice has two variants. In Malaysia, it has an embedded buy-back (*inah*) provision. The customer books the house with a developer with some earnest money committing to pay the balance within an agreed period and the ownership is transferred to him. During this period, he sells the house to a financing bank at cost price with a simultaneous contract to buy it back from the bank at the cost plus a mark-up he agrees to. The house is pledged with the bank as collateral. ng The amount becomes a debt payable to the bank as per an agreed installment payments scheme. In Bahrain murabahah replaces inah.

In either case the banks face little risk in this structure. In case of default, they are amply covered by the pledge and the down payment may be forfeited. In contrast, the customers are all the way on the receiving end. In the case of installment delays, there is a penalty clause that can be invoked even though under the regulations the amount must go to a charity fund each bank has to establish for the purpose. The main source of trouble is the treatment of the whole buy back amount as debt.[3] Banks insist that whatever be the time point of default the remaining debt has to be cleared in full.[4]. More disquieting than default is the situation when debt is all cleared before maturity but the banks still do not waive the profit component for the remaining period.

[3] A court judgment in 2007 took note that the sale element in the BBA was not a bona fide sale and brings into question the profit portion of the facility. Later, a Bank Negara circular advised banks to review the use of BBA.

[4] "Due to arbitraging activities, the BBA has converged to the conventional mode where the computational formulas are similar to the conventional and where the profit rate tracks the market interest rate. Instead of charging the customer interest, financiers charge a profit rate that is dependent on the market interest rate". (Meera & Razak 2009, p.4. See also p.6). In this context the authors also reject the plea of Usmani & Yaqubi (1998) for bench marking the profit rate on LIBOR P.8). To me, their reasoning is tenable. Factors determining rates of interest and their varistions are certainly different from those that should influence profit margins in Islamic finance.

The waiver, they argue, would deprive them of the profit they would have otherwise booked from the transaction. Such situations turn out worse than may arise under interest financing where the banks do not charge interest on the balance for the remaining period[5]. Rules on rebates in such cases are on the way in Malaysia[6] and the banks already seem moving away to a new structure taking the form of a joint venture. It is the now the much lauded *musharakah mutanaqisah partnership (*MMP) or the diminishing partnership model.

2.2 Conventional vs. Diminishing Partnership Model

It may be helpful to use illustrations for making the features and working of the conventional and the new Islamic model (MMP) clearer for comparison. Suppose a person wants to purchase a house worth RM 100,000. He pays RM 20000 as earnest money to the seller to grant three months time to pay the remaining amount. During the intervening period he evaluates the terms for borrowing the amount from a conventional bank – the CB - compared to an Islamic bank –IB - operating on a *musharakah mutanaqisah partnership* (MMP) principle. He plans to clear the debt in 10 years paying 20 six-monthly installments. The conventional bank charges 8% interest per annum plus a loan redemption factor of 6.71%. The loan redemption factor can be found for a given interest rate and payment period from the readily available table of present value (PV) annuity factors.[7] The yearly installment is calculated as loan amount (interest rate + redemption factor). In our case it would be RM 100000 (.08 + 0.0671) = RM 14710 a year. The amount will be half i.e. RM 7355 for a six-monthly payment. Table 1 provides the operational details.

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[5] If the interest rate charged was lower on the loan for the entire period that on loans for the shorter period when full payment is made, conventional banks sometimes claim the amount lost due to that difference.

[6] The juristic basis of granting such discounts is the Islamic concept of *ibra*. In the context of finance it refers to granting waiver by the creditor of his debt to some person partially or in full to provide relief in case of default. For details see the research note of Marjan (2010).

[7] The redemption factor (R) can also be calculated using the following formula $R = \frac{1}{i}\left[1 - \frac{1}{(1+i)^n}\right]$ where i is the rate of interest and t the time units involved. In our example r being 8% and time 10, the formula gives the same value as mentioned (6.71%).

It comes about that in the total payment made to the bank (RM 147194) the interest component is (147194 – 100000) = RM 47194 in 10 years. Thus, the effective rate charged is 4.72% per annum. This is experience, not fiction. Members of the various cooperative group-housing societies in Delhi obtained loans under such a plan (author joining in 1980) from the Housing Development Corporation (HDFC) of India, now a leading private sector bank of the country. Interest rates varied according to amount borrowed and the time dimension involved.

The customer later approaches an Islamic bank – the IB - to finance the house purchase, other details remaining unchanged. The bank offers to provide the remaining RM 80,000 to the seller. Thus, the bank would acquire an 80% share in the ownership of the house. The remaining 20% will be the share of the client. The rental for the house is proposed to be fixed at 8% a year. The bank must get (RM 80,000 + its share of rent) in six-monthly installments over the next 10 years.

Table 1: Details of loan repayment to the conventional bank

S. No.	Installment	Interest	Principal	Balance
1	7355	4000.0	3355.0	96645.0
2	7355	3865.8	3489.2	93155.8
3	7355	3726.2	3628.8	89527.0
4	7355	3581.1	3773.9	85753.1
5	7355	3430.1	3924.9	81828.2
6	7355	3223.1	4081.8	77746.4
7	7355	3109.6	4245.1	73501.2
8	7355	2940.0	4415.0	69086.2.
9	7355	2763.4	4591.6	64494.4
10	7355	2579.6	4775.2	59719.2
11	7355	2388.8	4966.2	54753.0
12	7355	2190.1	5164.9	49588.1
13	7355	1983.5	5371.4	44216.6
14	7355	1768.7	5586.3	38630.3
15	7355	1545.2	5809.8	32820.5
16	7355	1312.8	6042.2	26778.3
17	7355	1071.1	6263.9	20494.4
18	7355	819.8	6535.2	13959.2
19	7355	558.4	6796.6	7162.6
20	7355	286.5	7068.5	94.1
Total	**147100**	**47142.8**	**99905.9**	

The client would surrender his share in the rental to the bank until the bank's share in the house is completely liquidated. As this part of the rental will not be enough to redeem the amount, a redemption factor of 6.71% would be added to the 8% rental rate giving an overall six-monthly

charge of 14.71 / 2 = 7. 355%. Note that the annual rate – rent plus redemption – is to be halved for half yearly payments. This would fix the installment at 80000 x 0.07355 = RM 5884. The client is satisfied and opts for the contract. Since the entire rental goes to the bank the redemption component in the installment will be 5884 – 4000 = RM 1884. The entry in column C of Table 2 can be viewed as the price of one unit of bank's ownership, the customer is obliged to buy, so to say, each six months. Note that the installment has two components: a rental and a redemption element so determined that the ownership of the house will completely pass on to the customer by the stipulated date.[8]

Table 2: Working of a Musharkah-Mutankashah Partnership (MMP) Model

	Components of a six-monthly installment				Rental Division		Customer's	Bank's
Installment	Rent	Redemption	Total	Customer's	Customer	Bank	Equity	Equity
Number	RM	RM	Payment	Ratio			RM	RM
	A	B	C = A + B	D	E	F	G	H
0				0.2000			20000.0	80000.0
1	4000	1884.0	5884.0	0.20000	800.0	3200.0	22684.0	77316.0
2	4000	1884.0	5884.0	0.22684	907.4	3092.6	25475.4	74524.6
3	4000	1884.0	5884.0	0.25475	1019.0	2981.0	28370.4	71629.6
4	4000	1884.0	5884.0	0.28370	1134.8	2865.2	31389.2	68610.8
5	4000	1884.0	5884.0	0.31389	1255.6	2744.4	34528.8	65471.2
6	4000	1884.0	5884.0	0.34528	1381.1	2618.9	37793.9	62206.1
7	4000	1884.0	5884.0	0.37794	1511.8	2488.2	41189.7	58810.3
8	4000	1884.0	5884.0	0.41190	1647.6	2352.4	44721.3	55278.7
9	4000	1884.0	5884.0	0.44721	1780.8	2211.2	48386.1	51613.9
10	4000	1884.0	5884.0	0.48386	1935.4	2064.6	52205.5	47794.5
11	4000	1884.0	5884.0	0.52205	2086.2	1911.8	56175.7	43624.3
12	4000	1884.0	5884.0	0.56176	2247.0	1753.0	60306.7	39693.3
13	4000	1884.0	5884.0	0.60301	2412.0	1588.0	64602.7	35397.3
14	4000	1884.0	5884.0	0.64602	2584.1	1415.9	69070.8	30929.2
15	4000	1884.0	5884.0	0.69071	2762.8	1237.2	73717.6	26282.4
16	4000	1884.0	5884.0	0.73718	2948.7	1051.3	78565..3	21449.7
17	4000	1884.0	5884.0	0.78565	3142.6	857.4	83591.9	16408.1
18	4000	1884.0	5884.0	0.83592	3343.7	656.3	88819.6	11180.4
19	4000	1884.0	5884.0	0.88820	3552.8	447.2	94256.4	5743.6
20	4000	1884.0	5884.0	0.94256	3770.2	229.8	99910.6	89.4

It is clear from the above illustration that there is little difference in the operational mechanism of the conventional model and the much lauded Islamic MMP in the literature. In

[8] The procedure of its calculation is derived from the same formula as indicated in n.5 above. A modified formula for calculating the redemption factor for MMP is provided in Kameel and Razak (2009, 10) also. We have shown that the same formula and annuity tables as in conventional finance can be used with advantage.

both cases, the payable amount diminishes as identical installments are paid and both have the advantage of regular cash inflows for the bank which enhances the turnover of resources, improves liquidity and mitigates risk in a measure. But we shall see that there is more in the MMP despite the apparent departure from the conventional interest rate that goes against the client. He may discover that the conventional bank's terms were more specific and straight forward. In the MMP model the rental will always be a bone of contention between the customer and the bank due to conflict of interests.[9] Evidentially, an upward revision of the rental would not always or easily be acceptable to the bank in a volatile property market as it would only be notional. Notice that here the bank gets the return on its investment via the rent accruals to the client. Full financing is not possible. There are other difficulties too with the model.

In one of his recent articles on *musharakah and mudarabah* as modes of financing, Taqi Usmani (2010) a leading jurist devotes a section to a broad discussion on MMP (pp.70-76). He discusses the different shapes the contract has taken in various sort of transactions, housing mentioned as the dominant one. Here, he recounts (p.73) the three main steps involved: (i) creation of a joint ownership in property which all schools of *fiqh* expressly allows (ii) the financier leases his share in the house to the client on rent. On this too there is no difference of opinion among the classical jurists unless it is leased out to a third party, and finally (iii) the client purchases different units of the undivided share of the financier; again there are no differences among the jurists on the validity of ijarah *if* the lease is granted to the co-owner.

Even as *individually* each one of the three steps listed above is permissible, it can be a moot point if they can be combined in a single arrangement. Usmani states his position as under.

1. The three transactions cannot be the linked conditions for an enforceable contract. The Islamic legal system does not allow one transaction to be a precondition for the other.
2. The promise of the client to buy the share units of the financier is one-sided without any quid-pro-quo.
3. A promise to do something creates in general only a moral obligation which cannot be enforced through courts of law albeit there *are* juridical differences on the point. For example,

[9] The data on area wise rental published by town halls is too general and time intervals are usually substantial. It is not at all suitable for application in individual cases. Market rates seldom match them. Each house in a locality or building is a separate case for negotiations. Things like level, location, open sides and parking cause rental differences even in the same building complex.

the Hanafi position is that promises can be enforced in cases of need on the principle of *bai-bilwafa.*

Presumably, these are valid reservations. This brings us to our model.

3. Diminishing balance model – A proposal

The inspiration rather urge to develop this model came from two sources: First the proliferating econometric studies on Islamic finance have often claimed that Islamic banks are more efficient on cost-profit criteria than their conventional cousins. Second, there is a judicial opinion on record in Malaysia that Islamic banks fleece their clients at times more than the interest charging institutions. The two views are contradictory and prompt investigation. Hence, the introduction of a new approach which I think is tenable in the first instance on the principle of what we cannot prove as un-Islamic is Islamic, though I shall indicate the juridical basis for the model.

Let us continue with our example to explain the new model. The bank proposes to the client as follows. You have already paid RM 20000 to the seller as earnest money. The remaining RM 80000 the bank shall pay for acquiring a *constructive* ownership in the house.

Table 3: Working of the Diminishing Balance Model

Installments	Return of capital	Diminishing balance	4% Mark-up on C	Installment Payments
A	B	C	D	E = B + D
0	0	80000		
1	4000	76000	3200	7200
2	4000	72000	3040	7040
3	4000	68000	2880	6880
4	4000	64000	2720	6720
5	4000	60000	2560	6560
6	4000	56000	2400	6400
7	4000	52000	2240	6240
8	4000	48000	2080	6080
9	4000	44000	1920	5920
10	4000	40000	1760	5760
11	4000	36000	1600	5600
12	4000	32000	1440	5440
13	4000	28000	1280	5280
14	4000	24000	1120	5120
15	4000	20000	960	4960
16	4000	16000	800	4700
17	4000	12000	640	4640
18	4000	8000	480	4480
19	4000	4000	320	4320
20	4000	0	160	4160
Total	**80000**		**33600**	**113600**

For getting back the amount in six-monthly installments over a period of ten year, we shall put a mark-up of 8% for our contribution to the cost of the house. However, the mark-up amount will be reduced proportionate to the return of our money. That would reduce your liability to the bank considerably. The registration of the house in the court will be in your name but you will be signing simultaneously a mortgage deed pledging the house with the bank as security until installments as per Table 3 have all been cleared in full. The Table provides the calculation for your six-monthly installments. The model is simple. In case the payments were spread over a long period of say 25-30 years, it may tend to align with the life cycle hypothesis of personal incomes.

The following linear function is derived to facilitate the calculation of installments for the Table and highlight the features of the Diminishing balance model for house financing.

$$I_n = A\,[1 - \beta\,(n-1)]\,M$$

Where,

I_n = nth Installment amount

A = Financier's investment

β = the ratio of investment component in installments to A

n = the time points relevant to the study

M = Mark-up ratio used

In our illustration we have used for calculating I, A = 80,000; $\beta = 0.05$; n = 0, 1, 2, 3 .....20 and M = .04 for the six-monthly payments. If we want to know, for example the 7th installment we may find it out using n = 6 as under:

$I_{n=7}$ = 800,000 (1 – 6 x 0.05) 0.04 = RM 2240, the same as in Table 3.

Even as the model does not seem to attract any adverse comment from the juristic point of view, one may presumably ask for spelling out positive support from the Shari'ah to be on firmer grounds. The model uses the concept of what is known as *constructive ownership* in the legal parlance and combines on that basis the features of murabahah and rahn provisions in the Islamic law.[10]

[10] Constructive ownership refers to implied or virtual ownership of something tangible for the benefit of another person. For example in many countries a broker may have an effective ownership of company shares owned by an ordinary investor because the broker alone can buy and sell shares on the stock market the investor directly cannot. Likewise civil laws allow spouses to be in constructive ownership of each others property or of their children.

In the three models explained above we have used the same explanatory example so that we could compare at some stage their features on certain criteria. Table 4 now helps us make

Table 4: Comparison of competitive house financing models

Name of Model	% of finance provided	Nature of installments	Residuals RM	Profit of the financier
Conventional	100%	Uniform	94.1	4.71%
Diminishing partnership	80%	Uniform	89.4	4.71%
Diminishing balances	80%	Diminishing	00.0	4.20%

such comparison: we kept the rate of return on the money the financier offered to provide the client for purchasing the house at 8% in each case. The final result on the basis of effective profit rate the client has to pay is in favor of the Diminishing balance Model.[11] The Conventional interest based model and the MMP interestingly give identical results. Why should then the latter attract public attention?

A comparison of what happens in each case if the contract is breached after, say, the tenth installment has been paid may be no less interesting. This we can check from Tables 1, 2, and 3 from row number 11 of each. In the case of interest-based conventional finance, the liability of the client will be the unpaid loan amount of RM 54, 753 plus interest until the amount is cleared. In the MMP model, the client has to pay RM 43624 plus the rental share of the bank at the rate of RM 1911.8 every six months as long as the default continues. He has to pay the remaining RM 36000 only in the Diminishing Balance Model, the mark-up no longer having any relevance. Here too the Diminishing balance Model scores over the other models from the viewpoint of the customer. Being cheaper, it will have a competitive edge over the conventional interest finance and will bring in more business diverting customers, especially the non-Muslims, to its fold.

It follows from the foregoing analysis that the seeking of finance from an IB operating on DBM is more advantageous for the client both from the viewpoint of cost and in the case of default or premature clearance of liability compared to both CB and the MMP. The latter is

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Islamic jurisprudence too allows such ownerships. Orphans, the persons weak of understanding and children are specifically mentioned. The principle is much in use in the management of *awqaf.*

[11] The effective rates have been calculated as under: 1 The conventional bank gets RM 47142.8 as interest for 10 years on an advance of RM 100000/-. Thus, 47142.8 / 10 = 4714.28 is the yearly interest. Divided by 1oo,ooo it gives 4.71% as the effective rate. In the MMP model the bank gets from installments RM 5880 x 20 = 117600 plus RM 89.4 the residual i.e. RM 117689.4 This amount minus RM 80000 = 37689.4 is the net revenue of the bank for 10 years i.e. RM 37689 a year. This divided by 80,000 equals 4.71% return a year. Finally, the mark-up totals as RM 33600 over 10 years. Thus, the rate for the year will be 3360 / 80000 = 4.2% a year.

complicated for the client to understand and also raises juristic issues as explained earlier. Under the circumstance, the Diminishing Balances Model based on a murabahah-rahn mix looks preferable.[12] It is simple to understand, involves no buy backs or seeks to tie transaction. The case we presented here is just illustrative of the principle and its modus operandi. Refinements are possible and welcome. The non-delivery of Islamic finance in housing, as elsewhere, takes us back to the bigger picture.

4. Concluding remarks

Frankly speaking, Islamic finance is at present not playing any mentionable role in house financing albeit one comes across much noise in the literature. Even a cursory glance through the GIFF 2010 compilation of country-wise information on Islamic finance in its report would tell one of the validity of this observation. Malaysia and Bahrain are currently the two leading hubs of Islamic finance. However, in the direction of finance Chart for Malaysia (p. 165) shows that the share of construction in total finance is just 5.7%. Even of this paltry sum, not even half is spent on real estate. The situation in Bahrain apparently looks better. Of the total funds the share of construction is 29% of which 5.7% goes to real estate. But expenditure on real estate in either case is certainly not all on common housing. Figure 1 shows the comparative distribution of resources over some broad heads in the two counties. The data has been consolidated in the case of Malaysia to match categories.

The situation is no different in Indonesia, Pakistan Bangladesh or Egypt most populous of countries in the Muslim world. Everywhere the effort is found casual, patchy, uneven and inadequate. Thus, any reference to Islamic banks for this sorry state of affairs would only be misplaced; it is the failure of public policy to address the problem and channel finance including from the banks into the area. And, to this wider issue we now briefly turn.

The difficulty with Muslims is that they have not yet been able to free themselves fully of the Western thought process, value system and culture ethos they perforce acquired during the long colonial occupation of their lands. After independence too, they could not loosen much of

[12] However, the claims of superior profitability for Islamic banks vis-à-vis their conventional counterparts based on sophisticated econometric models have to be taken with a grain of salt. Our comparative analysis seems to contradict that claim.

that strangulation. They do talk of Islamic and want to act but could not move far on the 'straight path' for reasons not always of their own making. Islamic economics and finance took off well

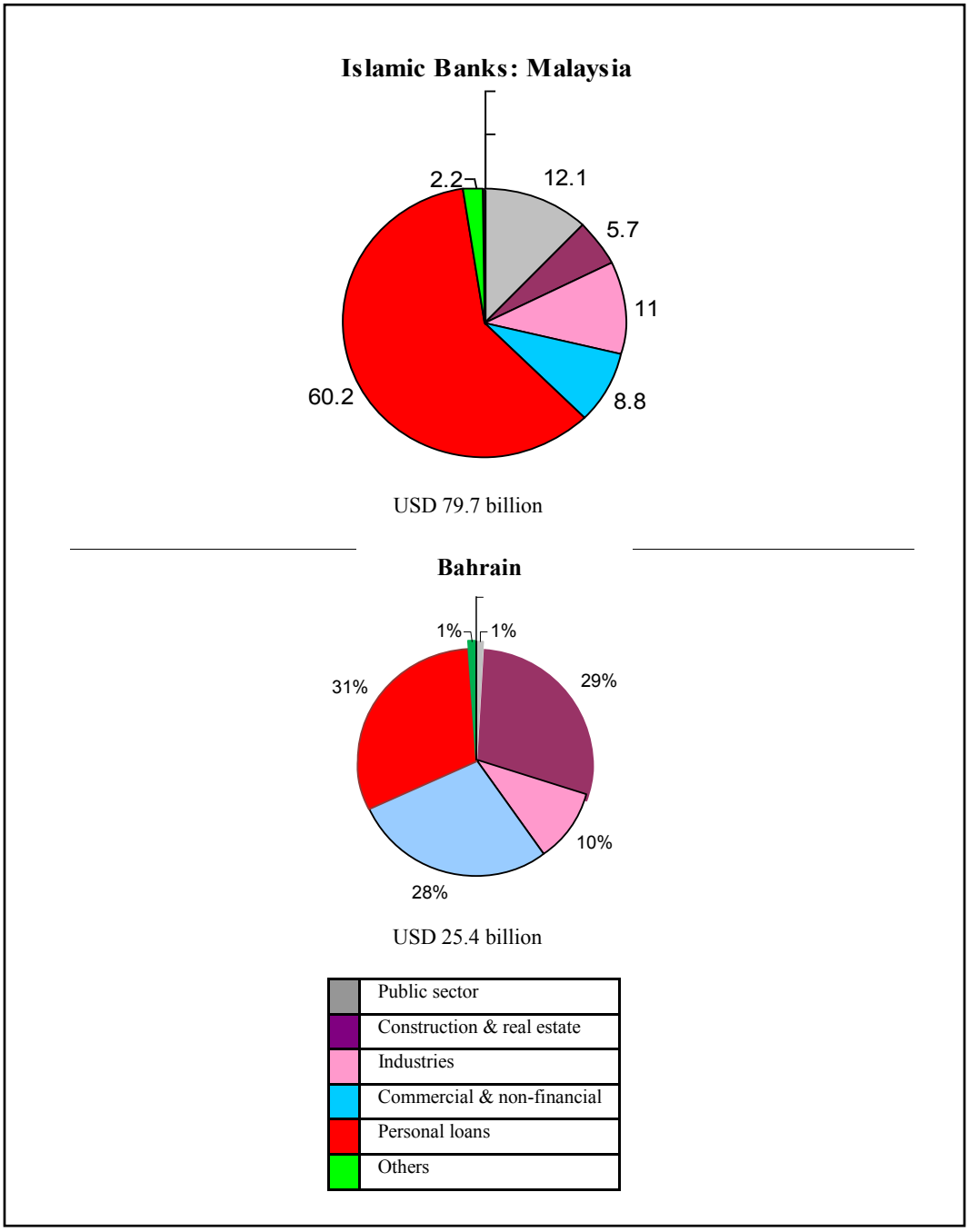

Figure 1: Comparison of resource use on various activities in Bahrain and Malaysia
Source: GIFF Malaysia 2010, IMF country Report: No. 06 / 91 and IFSL: Research: Islamic Finance 2010

but now perforce charter the un-chosen course. Islamic institutions cannot find roots and deliver in a set-up dominated with alien ways and interests. For example, Islamic finance is not showing concern for housing because the Islamic insistence on the fulfillment of basic needs does not

form the core of planning in Muslim countries. The rivers of finance flow down to fertile lands; they do not climb up into the barren ivory towers. Some suggestions for improving the contribution of Islamic finance in the housing sector I offered in the introduction; a few more may be added here.

1. Assign a high priority to poverty reduction in national plans, a good part of the allocation going to the promotion of low cost housing (Amott, 2008).
2. Establish a National Housing Foundation with regional offices; provide seed money and encourage people to register and make deposits to own a home in the future. Let media play a role in creating consciousness. People should know that something is really being done for providing a roof over their heads.
3. Issue housing sukuk to mobilize funds, open even to international subscriptions.
4. Persuade and if need be instruct banks to support the National program. They may find it beneficial to combine in bigger units to meet the challenges (Nannana, 2010).
5. Prof. A. K. Sen had made sometime back a worth while suggestion that give property rights to slum dwellers and squatters over the structures where they have been living in for long. That would provide them confidence, political clout and means to raise funds through say mortgaging.
6. Muslim countries can establish an apex body for integrating various country programs and support research in designing and construction of cheap yet comfortable homes.

Finally, while it is good to promote house financing via Islamic banks, the effort at the national and regional levels will create the environment in which banks could perform and deliver.

Acknowledgements

The author is grateful to his students Mughees Shaukat and Nurhafiza Abdul Kader Malim for the assistance they rendered in the preparation of this paper

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