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The Role of Islamic House Financing in the Economic Development of Pakistan

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ABSTRACT

Pakistan is a developing country, the importance of house financing is very high as majority of the people don't have their own houses. Due to the limited resources of Government, conventional banking sector is providing house financing on interest basis. As 98% population is Muslim in Pakistan, a large number of needy people did not avail this facility due to the prohibition of Riba (Interest). Islamic banking started in Pakistan in 2002 and at present, there are 6 full-fledged Islamic banks and 17 conventional banks with Islamic Banking Divisions are providing Islamic House Financing according to the principles of Sharia'h. Currently, Islamic banking sector is playing its leading role in house financing by providing Pak Rupees 22.64 billion out of total house financing of Pak Rupees 62.96 billion by all banking sectors including House Building Finance Company Limited (HBFCL). Similarly, NPLs of Islamic banks is only 5.7% of total NPLs of all banking sectors which shows the seriousness and sincerity of Islamic bank consumers towards the return of their house financing amounts. Therefore, Islamic banks are imparting their positive role in the economic development of the country as more and more people are getting their own houses in Pakistan.

KEYWORDS House Financing; Islamic Banks; Pakistan