Issues related to housing and urbanization in Pakistan (source: Economic Survey of Pakistan and article by Azim and Rizwan)

**Urbanization**

“Urbanization is a cyclical process through which a nation normally passes as it evolves from an

agrarian to an industrial society as urbanization is interpreted as a process involving the absolute and

relative growth of towns and cities within a defined area. The rapid growth of cities is a common and persisting demographic phenomenon in most of the developing countries including Pakistan. This growth has led to an increase in the degree of urbanization. In Pakistan, for example, the proportion of total population living in urban areas has increased from only 17.8 percent in 1951 to about 32.5 percent in 1998 and 37 percent in 2010-11”

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| Total population | 190 Million approxi ( 2015) |
| Urban population | 38 % of total population |
| Total housing units | 19.3 million |
| Owned housing units | 85.9 % |
| Household size | 6.5 |
| Room density | 6.7 persons per room |
| Demand for housing | 570,000 units per annum |
| Supply of housing | 300,000 |
| Net shortfall of housing | 270,000 units per annum |
| Total housing backlog | 8 million units |
| House finance as percentage of GDP | 0.7% |

**How can we solve the problem of housing in Pakistan?**

There are two things to do

First of all don’t let the cities to expand boundlessly, it means construct a new city instead of expanding the old one.

Second provide housing to the people with the help of following methods.

1 . Diminishing Musharaka House financing

“The client wants to purchase a house for which he does not have adequate funds. He approaches the financier who agrees to participate with him in purchasing the required house. 20% of the price is paid by

the client and 80% of the price by the financier. Thus, the financier owns 80% of the house while the client owns 20%. After purchasing the property jointly, the client uses the house for his residential requirement and pays rent to the financier for using his share in the property. At the same time, the share of financier is further divided in eight equal units, each unit representing 10% ownership of the house.

The client promises to the financier that he will purchase one unit after three months. Accordingly, after the first term of three months he purchases one unit of the share of the financier by paying 1/10th of the price of the house. It reduces the share of the financier from 80% to 70%. Hence, the rent payable to the financier is also reduced to that extent. At the end of the second term, he purchases another

unit increasing his share in the property to 40% and reducing the share of the financier to 60% and consequently reducing the rent to that proportion. This process goes on in the same fashion until after the end of two years, the client purchases the whole share of the financier reducing the share of the financier to 'zero' and increasing his own share to 100%. This arrangement allows the financier to claim rent according to his proportion of ownership in the property and at the same time allows him periodical return of a part of his principal through purchases of the units of his share. (source: Meezan Bank’s guide to Islamic Banking an Finacne)”