

Framework of affordable cooperative housing through an innovative waqf-based source of finance in Karachi

Framework of
affordable
cooperative
housing

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Abstract

Purpose – The purpose of this research is to introduce an innovative framework called the waqf cooperative housing framework (WCHF), with an objective to create a synergistic equilibrium between waqf and cooperative housing schemes. To tackle problems related to the dearth of financing, this research postulates an innovative waqf-based source of finance that involves generating revenue from common areas (waqf area) within the vicinity of the condominium.

Design/methodology/approach – Primary data were collected through interviews and the data were analysed using the NVIVO software. The interviewees comprised managers from property development sectors, public sector officials, university lecturers in Islamic finance, CEOs, top management officials from Islamic financial institutions, community leaders and shariah scholars.

Findings – A framework was proposed based on the result of the interviews. It was found that innovative models such as WCHF can resolve the issue of affordable housing in Karachi such as decreasing the financial burden on the public exchequer, bringing positive change to the lives of the poor, fulfilling the property developer's corporate social responsibility, fulfilling the religious duty of the general public and condominium owners towards their fellow beings as well as creating new employment opportunities for people who are working in the financial sector (waqf management companies/trustees) and the construction sector.

Research limitations/implications – Even though this study has introduced an innovative and practical solution to the financing of affordable housing, it also encountered some limitations. First, it is conducted in Karachi city involving six group of respondents; thus, the findings cannot be generalised with other contexts. Similar research needs to be conducted in different contexts.

Originality/value – To date, this is among the first studies, to the best of the authors' knowledge, to investigate cooperative affordable housing with the help of innovative Islamic finance tools in the context of Pakistan. Furthermore, insufficient attention has been given to the enabling and hindering factors behind the



Keywords Cooperatives, Waqf, Maqasid shariah, Waqf cooperative housing framework

Paper type Research paper

1. Introduction

Development of cooperative housing is one of the modern ideas aimed at providing affordable housing so that members do not have to rely on the public sector and can pool their resources to help themselves. However, cooperatives face difficulties in raising finance for initial development and so far, the conventional interest-based avenues for raising funds for cooperatives have failed to address this problem (Mohammed, 2016). Nevertheless, Islamic financial tools such as Cash *Waqf* and Sukuk have the potential to synergize with the cooperatives in its true spirit and solve the problem of lack of financing without putting any financial burden on its members. Almost all cooperative arrangements face a lack of funds as they rely on capital shares, fees and deposits by members, which most of the time is insufficient for rapid financing of members' homes (Mohammed, 2016). In case they obtain financing from commercial banks, they must pay a decent return on these loans, which the cooperatives often cannot afford as members would have to face an extra burden in paying the bank loans. By using bank financing, the cooperative has to compromise its ground as it aims to provide affordable housing to its members (Ibrahim *et al.*, 2012; Mohammed, 2016). Islam as a universal religion that covers every aspect of life provides a potent financing alternative to this problem in the form of waqf.

There is extensive literature available, but it still fails to address the gap between cooperative through waqf financing and affordable housing (Mohammed, 2016). A potential collaboration could be waqf-financed affordable housing that includes generating revenue from unused common areas around the condominium that could be become a waqf for the purpose of developing affordable housing for low-income Karachiites. Maksun (2017) suggested an initiative to build flats on waqf land to address the issue of lack of available land, and Md Zabri and Haron (2019) attempted to validate a synergy between financial cooperatives and cash waqf through *Musharakah Mutanaqisah*, in the Malaysian context. Similarly, Zabri and Mohammed (2018a) and Pitchay *et al.* (2018) proposed cash waqf as a tool to finance cooperative affordable housing in Malaysia. None of the above-mentioned studies regarding cooperative affordable housing with the help of a novel Islamic finance tool to use the idle space around condominiums has been conducted. Furthermore, the study to introduce cooperative housing on the basis of waqf to cater for the shortage of affordable housing in the context of Pakistan has been undertaken. Therefore, this study aims to provide an integrated framework of waqf and cooperatives for the resolution of affordable housing problem through introducing an innovative waqf-based source of finance to resolve the initial financial needs of any such cooperative.

It is an established fact that religion plays a vital role in the lives of Muslims, and only through establishing a religious institution such as waqf, it may persuade private wealthy Pakistanis to contribute towards the prosperity of such shelterless people. There is a need to motivate Pakistanis because one of the encouraging facts is the gigantic philanthropic charity given by Pakistanis annually, which is according to the estimates of four times the total foreign aid Pakistan receives in a year (Ahmed and Tahseen, 2017). Development of cooperative housing is among one of the modern ideas for the provision of affordable housing in a way that the members do not have to rely on the government, and they are encouraged to pool their resources to help themselves. Almost all cooperative arrangements

face a lack of funds as they rely on capital shares, fees and deposits by the members, which most of the time is not sufficient for rapid home financing for its members (Zabri and Mohammed, 2018). In case they obtain financing from commercial banks, they must pay a decent return on these loans, which is often unaffordable for the cooperative as the members have to face extra burden in paying off banks' loans. By using banks' financing, the cooperative has to compromise its grounding that aims to provide its member affordable housing (Ibrahim *et al.*, 2012; Mohammed, 2016). Nevertheless, Islamic financial tools such as cash waqf and sukuk have the potential to synergise with the cooperative and solve the problem of lack of financing for cooperative without putting any financial burden on members.

The biggest city in Pakistan is Karachi, and being a business hub that is serviced by Pakistan's two seaports, it immensely contributes to Pakistan's economy. It offers employment opportunities to a very wide section of the society and it is estimated that around 21 million of Pakistan's population reside in Karachi. Out of the total population of Karachi, 12 million people belong to the lower or lower middle class, and according to several estimates, most of them are without their own house (Ahmed, 2008; Hasan, 2015). They spend a large portion of their earnings to pay house rentals, and therefore, they cannot make ends meet. Because of Karachi's expanding population, it is conservatively estimated that 80,000 new housing units are needed to deal with the demand every year, while, so far, the government can only provide around 32,000 units per year (Ahmed, 2008; Hasan, 2015).

The issue of affordable homes for the underprivileged in society is very crucial and important. Research gaps exist because there is no recorded effort in the literature that tries to approach the problem using the blended conventional institution while introducing a creative Islamic financing scheme to complete the jigsaw. Therefore, the basic curiosities in the mind of researchers are whether they can blend the conventional solution with some Islamic finance mechanism to solve the problem of affordable housing in Pakistan. How can the problem of lack of funds for cooperatives through an innovative framework named "Waqf cooperative housing framework (WCHF)" in which the Housing Development Cooperative uses the principles of waqf to provide affordable housing to the low-income and poor groups? Consequently, this paper aims to determine the suitability of the proposed generation of revenue from common areas around the condominium as a source of finance for the implementation of an integrated framework of waqf and housing development cooperative. This study makes four important contributions. First, it introduces an innovative financing tool for the development of waqf-based cooperative housing. Second, it enables the government to discharge essential responsibilities such as providing affordable housing and creating employment opportunities through practical implementation of WCHF. Third, it helps property developers and Islamic financial institutions to fulfil their corporate social responsibilities and, finally, it fulfils the religious duty of people towards their fellow human beings who do not own a house.

The rest of the paper is organized as follows: Section 2 presents the literature review, followed by Sections 3–5 on methodology, findings and discussions, respectively. Section 6 concludes by providing suggestions for future research, practical recommendations and limitations of the study.

2. Literature review

Pakistan is a developing country, with its 58.7 million population living in multi-dimensional poverty (Ahmed and Tahseen, 2017). Approximately, 57 million of the rural population and 15 million of the urban population are considered to be extremely poor (Ahsan, 2019; Ahmed and Tahseen, 2017). To overcome this challenge of poverty, people from rural areas moved to cities with a dream of making their life better. However, this trend exerts more pressure on

urban areas. Rapid urbanisation in Pakistan is associated with underlying challenges for the provision of housing units in urban areas (Hasan, 2015; Ahmed and Tahseen, 2017). The demand for housing units in the country has multiplied because of the brisk population growth and rural–urban migration, while at the same time, the supply of land is continuously receding. The continuous widening gap between demand and supply resulted in a host of social and environmental problems in urban areas (Malik *et al.*, 2020).

The biggest city in Pakistan is Karachi and it is the business hub of the country as it has both the seaports that contribute hugely to Pakistan’s economy. It offers employment opportunities to a wide section of the society, and it is estimated that around 21 million Pakistanis reside in Karachi. Out of the total population of Karachi, 12 million people belong to the lower or lower middle class, and according to several estimates, most of them are living without having their own house (Ahmed and Tahseen, 2017). They spend a large portion of their earnings to pay rentals, which makes them to unable to make both ends meet. Because of Karachi’s expanding population, it is conservatively estimated that 80,000 new housing units are needed to deal with the demand every year, although thus far the government can only provide around 32,000 units per year while the remaining 48,000 families are forced to live in “katchi abadis” (illegal settlements) (Anwar *et al.*, 2014; Ahmed and Tahseen, 2017).

The increasing demand and insufficient supply of housing units consequently leads to price hikes/higher rentals in the housing sector. Thus, the only option available to poor tenants is to pay higher rentals at the cost of better educational opportunities for their children, malnutrition for their family and lack of recreational facilities. The consequences are so gruesome to their higher expenses to fulfil the need for shelter, which causing them to not be able to save enough and not be able to buy a house throughout their lives (Anwar *et al.*, 2014).

2.1 Conventional financing avenues for affordable housing development

There are many financing options available for the development of low-cost housing. The first option is to develop affordable housing using bank debt. Debt financing is undoubtedly a quick fix to the problem; however, because of its hazardous effects at both micro and macro levels that incur exorbitant interest rates, it has turned out to be an unattractive option (Zabri and Mohammed, 2018b). Another avenue is to build affordable housing through shared equity by the bank and the customer, which is commonly referred to as *Musharakah Mutanaqisah* (MM). Although the MM-based equity solution might ward off many negative consequences of debt-based financing, the stringent and lengthy documentation procedures and the reluctance by Islamic banks because of inherent risks in equity-based financing have made it almost non-existent in practice (Amin H., 2020; Zabri and Mohammed, 2018).

Another alternative is government-owned home financing but when considering the government’s limited resources and global trends of minimising public expenditure, this option becomes non-sustainable in the long term (Mohammed, 2016). At present, considering the drawbacks of debt-based lending and serious constraints of governments to solve the problem of affordable housing, many scholars and practitioners have developed a consensus that the issue of financing affordable housing could only be resolved by financial cooperatives, where members extend help and assistance to each other (Ebrahim, 2009; Ibrahim, Ong and Akinsomi, 2012; Mohammed, 2016).

2.2 Cooperative financing for affordable housing development

In the cooperative mode of financing low-cost housing, a group of people come together and raise funds among themselves for purchasing houses for its members. These mutual savings by cooperative members provide the cooperative with essential funding for

acquiring houses for its members. A member who acquires a house through cooperative funding pays the principal as well as an additional amount for the welfare of cooperative members. Thus, this arrangement provides its member with a lending facility without any interest payment (Pitchay *et al.*, 2018).

Like the MM arrangement, the member (customer) along with the cooperative will usually together purchase a house and the member stays in the house as a tenant and pays rent at market value as well as start repurchasing the shares of the house from the cooperative (Ishak and Rahman, 2021). The gradual purchase of shares in the house by the member leads to a reduction in rental value, and therefore, at the end of the contract period, the buyer owns 100% of the house's shares. During the lease period, the member is responsible for the maintenance and repair of the property. In case of fluctuation in the property's market value, the cooperative as well as the member will share the profit/loss arising from such fluctuation according to the proportion of shares they own, respectively, through an equitable and fair arrangement (Mohammed, 2016). Bilal *et al.* (2019) encouraged the collection of rentals from beneficiaries for three main purposes, namely, the maintenance of waqf buildings, charity and payment for members of the trustee board. Meanwhile, Sukmana (2020) recommended that there should be a strong support infrastructure comprising a legal infrastructure or a clear legal framework, a strong information system indicating an efficient waqf management and administration, a waqf management manual that includes standard guidelines and a fatwa committee to resolve any shariah issue.

Another feature of a cooperative arrangement is its flexibility, as a member enjoys an unspecified period for the repurchase of shares from cooperative as per his choice (Mohammed, 2016). In addition to these benefits, the cooperative arrangement is also fruitful in achieving *Maqasid shariah* through maintaining equilibrium between the monetary and real sector of the economy. Unlike debt-based financing, it avoids money creation that ultimately leads to property price inflation (Jha, 2014; Zabri and Mohammed, 2018). To overcome the biggest hurdle in the way of low-cost cooperative housing that is the requirement of initial financing (because it is expected that the targeted poor is unable to arrange the seed money for the initiation of any such cooperative initiative), the Islamic financial system offers an innovative mechanism, viz. waqf.

2.3 Waqf as an innovative Islamic financing tool

The fifth-century A.H. Hanafi jurist, al-Sarakhsi stated that the word "waqf" was synonymous with sequestration (hubs) and withholding (man) (Pitchay *et al.*, 2018; Kamal and Ating, 2020; Sukmana, 2020). Meanwhile, Md Zabri and Haron (2019) described the waqf as "a kind of sadaqah". The concept of waqf is galvanised by the recurrent Islamic emphasis on volunteerism, altruism and charitable behaviour (Abdullah, 2019).

It is an established fact that the majority of Muslims feel that waqf assets might only be used for mosques and graveyards while only fixed assets can be used for waqf because of the characteristics of waqf, which are irrevocability, perpetuity and alienability. There are three main parties or waqf participants, which are *waqif* (Founder), *mauquf e aleh* (Beneficiary), *maukuf* (Donated property). It is necessary to determine at the initiation of waqf if the waqif is the rightful owner of the property (asset). *Waqf* can be initiated for the general welfare of the public or for any specific purpose such as if the waqif assigns his property for a particular use such as school, mosque or graveyard. According to Pitchay *et al.* (2018), there is a need to prepare a framework to ensure the participation of all stakeholders, such as the government, general public and financial institutions, in waqf development.

Md Zabri and Haron (2019) demonstrated the potential of waqf funds in economic development and the authors recommended that waqf funds should be used optimally to gain sustainable economic development. According to the authors, there is a huge potential for Islamic financing products in housing and construction sector because of the risk–reward sharing element inherent in Islamic financing, and therefore, the author recommends that Islamic financing products should be considered favourably by all stakeholders for their projects’ needs. Similarly, another study by Bananuka *et al.* (2019) found out that Islamic finance is currently in the phase of awareness creation by Islamic financial institutions and there is a need to enhance trust in Islamic financing products by creating and enabling the environment.

A study by Ishak and Rahman (2021) highlighted the current affordable housing problems in Malaysia. The problems for low- or middle-income Malaysians according to this study are rising housing prices, difficulty in obtaining housing loans, limited choices in residential localities for the middle-income group. Amin (2020) emphasised on the need to introduce attractive housing finance policies because of five factors, such as shariah compliance, bankers’ experience and services, price, bank reputation and product type, that are perceived as most important factors by the customers. Additionally, according to Bananuka (2019) and Abbas and Shirazi (2015), respondents’ positive opinion concerning Islamic banking plays an important role in promoting shariah-compliant financing.

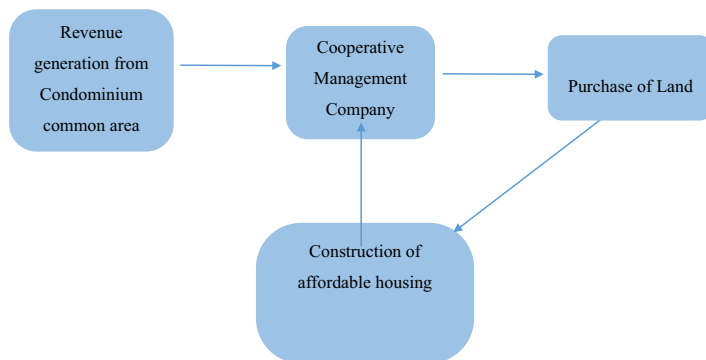
Several studies have addressed the problem of affordable housing in the past which have been discussed in this section. A recent growing trend is the introduction of innovative Islamic financial tools to fill the financing gap for building affordable housing. Nafar (2018) emphasised the need to introduce Islamic financial tools such as zakat and *awqaf* for the construction of affordable housing and to meet the sustainable development goals as set out by the United Nations. Another study by Maksum (2017) suggested the building of flats on waqf land to address the issue of lack of available land and to ultimately resolve the issue of affordable housing. Similarly, a recent qualitative study by Md Zabri and Mohammed (2018) attempted to validate a synergy between financial cooperatives and cash waqf through MM in the Malaysian context and found that prospective customers have a positive perception about cooperatives and Islamic financial tools for the development of affordable housing.

However, there is a need to enhance our understanding of the process of development of cooperative development and empirically investigate the associated financing options. In this study, the researcher attempted to elucidate the whole process of how to develop a housing cooperative, together with the development of an innovative Islamic financing tool, which is a novel approach that could contribute greatly to the corpus of knowledge regarding innovation, housing cooperatives and Islamic financing tools.

Moreover, none of the above-mentioned study regarding cooperative affordable housing with the help of innovative Islamic finance tools has been conducted in the context of Pakistan. This is because without proper grasp and in-depth knowledge about WCHF, it would be impossible to practically implement WCHF.

2.4 Waqf cooperative housing framework

This study introduced a waqf-based cooperative framework with a self-generating financing mechanism that follows a cyclical approach, which will be managed by a cooperative management company that is responsible for collecting funds for purchasing land and construction of affordable housing using this generated revenue from an innovative waqf-based source of finance. This waqf cooperative company is also entrusted with the collection of periodic payments by the beneficiaries of cooperatives, as shown in Figure 1.



Framework of affordable cooperative housing

Figure 1.
Waqf cooperative housing framework (WCHF)

2.4.1 Source of finance for waqf cooperative housing framework: utilisation of the common area in condominium. WCHF would be financed through the utilisation of a large chunk of the mostly unused common area of the condominium, which comprises 50%–60% of the total area of every condominium project (Table 2). This is vital for the purpose of generating revenue for financing the development of affordable housing in a beneficial manner that does not disturb the security and privacy of condominium owners. This common area (uncovered area) will be capitalised as a waqf by the owners, and any revenue generated out of this area will go to the waqf management company. The main stakeholders of this scheme are as follows:

- joint management body (JMB) of the condominium;
- condominium owners;
- Government;
- Central bank;
- Islamic banks/waqf management companies; and
- low-income group.

For example, the condominium's JMB dedicated the area as waqf with the consent of owners and allows any third party to build a health gym where the access to the gym is only from the outside and the residents of the condominium may subscribe to the facility at a discounted fee. The income from that facility will go directly to the Housing Development Cooperative for financing the development of affordable housing for the low-income group. The low-income group will then subscribe to the Housing Development Cooperative and pay a nominal rental throughout the repayment period. The rental will normally be long term so that repayment may be made easily by the low-income group. It will also become a part of the Housing Development Cooperative, which is responsible for financing further ventures with the same aim of providing affordable housing for the poor and low-income group in society. The cooperative will be managed by a professional management body, which could be any Islamic Financial Institution, such as Islamic commercial banks (Table 1).

3. Methodology

3.1 Data collection

The qualitative method was chosen as the primary approach to gather data because this study intended to introduce WCHF as an innovative framework that has innovative

Area of plot	Allowable covered area(%)	Front (ft)	Rear (ft)	Sides (ft)	No of floors	Remarks
Up to 200	90	–	–	–	B + G + 1	
201–400	75	5'–0"	3'–0"	5'–0" On right side	B + G + 1	
401–700	60	10'–0"	7'–6"	5'–0"	B + G + 1	Front COS for rear-side plots after sub-division is 5'–0"
701 and above	50	20'–0"	10'–0"	10'–0"	B + G + 1	Subdivided plots in two portions to have 5 ft instead of 10 ft on the dividing line, if one side (of 1,000 sq Yds plot) is 60 ft of less than 60 ft

Table 1.
Building control and town planning regulations 2011: Karachi

components such as housing cooperatives, waqf and generating revenue by using the common areas in condominiums. The participants of this study were selected on the basis of their background in Islamic shariah, Islamic finance and the property development industry. All the respondents were locals and recognised in Pakistan with a proven track record of providing their relevant services notably. They are also known as subject experts in their respective industries. Karachi is suitable in the context for this research because it has a large population of approximately 25 million and is known as the commercial hub of Pakistan (Anwar *et al.*, 2014; Ahmed and Tahseen, 2017). The city of Karachi has been facing a multitude of problems because of growing slum areas and lack of affordable housing, which is attributed to poor law and order as well as deteriorating social and moral values.

This study used the theoretical sampling method, which is used in grounded theory studies. In theoretical sampling, the respondents are added until the researcher is satisfied that the study has reached its saturation point and no new insight can be gained from adding a new respondent. With theoretical sampling, initially grounded theorists seek out individuals or organizations that have experienced the phenomena being studied, and further data collection is guided by the emerging categories and theoretical ideas (Cutcliffe, 2000; Charmaz, 2000). The sampling of individuals or organizations on the basis of emerging information continues up to the point of theoretical saturation (Strauss and Corbin, 1998), which occurs when no new information about the emerging categories and relationships is generated by the additional data (Locke, 2001). Individuals were selected based on certain predetermined criteria, namely, representatives from the public sector, representatives from property development industry or JMB of condominium, shariah scholars, managers from Islamic financial institutions, community leaders and Islamic finance scholars. As this study is exploratory in nature, it aims to understand the innovative source of finance for affordable housing development; therefore, this study solely intended to gain insights from subject experts only and consequently two important stakeholders, namely, the condominium owners and low-income homeless people were not considered for data collection.

The main data collection method in this study was face-to-face in-depth interviews involving a semi-structured interview protocol. Although the main questions for the interview were retrieved from the research questions, the questions were open-ended, which provided the

flexibility of additional questions as the interview and data analysis progressed. A list of interview questions is included as [Appendix](#). Thus, using this technique when designing interview questions allows respondents some freedom of expression. Moreover, it provides an opportunity for the researcher to manage the session effectively.

The interview questions were designed to evaluate factors that influence the acceptance of affordable housing framework according to existing literature and experts' opinions. The questionnaire from [Thambiah \(2012\)](#), regarding the adoption of Islamic retail banking was tested in Malaysia and [Engwanda \(2014\)](#) on mobile banking adoption in the USA were adapted and served as the main basis for the development of interview questions used in this study.

The individuals were contacted through phone, emails as well as personal visits to their offices to seek their availability and consent to participate in this study. Some individuals were also approached with the help of contact persons. As this study requires data collection and analysis simultaneously, and because all the respondents are subject experts and well known in their relevant field, it was difficult to set interview appointments. Therefore, the data collection stretched over a period of more than a year. Each interview varies from 1–3 h. The group of respondents and number of respondents are listed in [Table 2](#).

3.2 Data analysis

Data were analysed using the NVivo 12th version software as a computer-aided data management tool. NVivo is used for managing and analysing data sets because of its capability to support various formats of documents, including word processor (documents) and pictures. The data analysis for this study was conducted in stages, which began by conducting, transcribing (in verbatim) and analysing individual interview sessions.

To ensure this study's reliability, member checking was done whereby respondents reviewed the verbatim transcription and analysis to endorse the written information as truly representing the intended meaning. [Janesick \(2000\)](#) confirmed that the cross-checking of research work through member checking should be done within the scope of a qualitative study to ensure reliability. Moreover, this study used triangulation to enhance its validity by comparing data obtained from respondents from multiple groups.

4. Findings

4.1 Interview findings

All six groups of respondents considered the financing of any low-cost affordable housing as one of the biggest issues ([Pitchay et al., 2018](#); [Md Zabri and Mohammed, 2018](#)). Although conventional and Islamic bank finance is available to serve this purpose, yet low-income people are unable to use this source of finance because of several reasons, such as high-interest rates, complex and lengthy documentation as well as stringent requirements.

The idea of using common areas in condominiums for generating revenue and the subsequent use of this revenue by cooperatives to construct affordable housing is innovative

S. No.	Group of respondents	No. of respondents
1	JMB/Property development managers	5
2	CEOs/top management of IFIs	4
3	Public sector officials	2
4	Islamic sharia scholars	2
5	University professors of Islamic finance	2
6	Community leaders	2

Table 2.
Number and group of
respondents

that can be broadened thoroughly. This study not only needs to determine whether generating revenue from common areas in condominiums has the potential to become a valid source of finance for WCHF but it also needs to look at the existing building laws and common facilities provided in condominiums in Karachi.

The questions about existing building laws and common facilities present in the condominiums were adduced to a single group of respondents, namely, the condominium's JMB, as this group was relevant to this study.

4.1.1 Current building laws. All five respondents from JMB of condominium group stated that building laws vary from area to area in Karachi as different areas of the city are governed by different regulatory bodies.

[...] In Karachi, multiple bodies control multiple areas of the city and each one has its own building laws, like, government societies have different laws than private societies. KDA has its own bylaws, DHA has its own bylaws, Clifton has its own bylaws, so it's a mess [...] Karachi is so diverse in this sense (R13).

The span of control of condominiums is up to the will of the condominium's builder. Usually, the developer keeps the control for two to three years and then hands over management of the condominium to the residents' association. Decisions taken in the first two to three years (when the management is under the developer's control) as well as afterward (when residents are managing the affairs of condominium) are usually voluntary and taken through the consensus of all the residents. This is in response to the question regarding the time span of a project that remains under the control of the developer after the completion of the project. Some of the JMB respondents also pointed out that because of some compulsions such as "left behind material after completion of the project" and "unsold units", builders are bound to keep management under their control.

[...] Usually, the builder manages the project for three years and then hands it over to the JMB or union formed by local residents. (R13)

[...] In modern structures, builders maintain control of a project for up to 2 years, because certain facilities like generator, lifts are to be managed by professionals and because ill maintenance of these facilities can be disastrous for their own reputation, builders keep management with them for initial two years and then hand over to residents [...]. (R17)

4.3.2 Existing facilities in condominiums. All the respondents from the JMB group mentioned three facilities in their project, which are mosque, children play area and school. In addition to these three facilities, our first JMB respondent also intends to include college and polyclinic in the list of facilities in his upcoming projects. The response to one of the related questions from JMB representatives was significant, that is, who can use these facilities? To which all five of them replied that, "every resident can use these facilities" or "only residents can use these facilities". The answers signify that these facilities are meant to serve only residents and if these residents do not use these facilities regularly, these facilities will remain idle, which points towards the fact that all the facilities such as parks, children play areas, schools, colleges and polyclinics can be used for generating revenue. For instance, although children play areas that contain rides, etc. may be used by children of residents with free of charge, it may be charged to outsiders.

4.3.3 Revenue generation from common area around condominiums. There are two issues inherent in generating revenue from common areas around condominiums, which are as follows:

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- (1) Will the generated revenue from common areas be sufficient to finance the construction of any affordable housing project?
 - (2) Will residents allow outsiders to use the facilities in the premises of common area of condominium?

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The interview questions revolve around these issues and the findings regarding these two issues were surprising and interesting for the researcher.

4.3.3.1 Sufficiency of generated revenue from common area. This is in response to questions related to the first issue, that is, the sufficiency of generated revenue from the common area to finance construction of affordable housing. Majority of the respondents were of the view that the revenue generated will not be sufficient for the construction of a whole project.

[. . .] No. revenues generated from such source will not be sufficient enough to serve the purpose. Practically, it can only be done on paper though (R13).

[. . .] only maintenance can be done with these generated revenues [. . .] (R15).

[. . .] it won't be sufficient to finance capital cost of a society, it can manage running costs only [. . .] (R1).

[. . .] This fund will not be sufficient to build another housing project on its own. However, if we invest this fund in an Islamic way then the invested amount can fulfil this purpose [. . .] (R6).

[. . .] I don't think it would be sufficient. Building by-laws should also be amended in this regard to allow revenue generation. The commercial activity ratio must be increased in bylaws to let it generate income. This amount will only be sufficient to cover maintenance cost [. . .] (R3).

According to the four Islamic financial managers, the revenue generated from common areas in condominiums would be enough to finance any affordable housing project. R9, who was very unequivocal and enthusiastic about the idea of WCHF, said:

[. . .] Yes, revenues generated from such *Waqf* based property would be sufficient to finance any affordable housing society. I had been to a library where I studied for 5 years. It was all free. It was open to all, and they charge the outsiders. There I used to see 100 persons daily. In their community centre, there was a library and a marriage hall which they used for revenue generation. When locals were getting benefits in terms of discounted membership all were satisfied by letting the non-residents use the facilities [. . .] It can be done and it must be done [. . .] (R9).

[. . .] Yes, we can generate revenue and we should. There is a Hadis' e Rasool narrated as "strengthen your waqf property". We should take steps to generate revenue and it is our responsibility to develop waqf, whether for affordable housing schemes or for any other cause [. . .] (R12)

It is therefore evident that most of the respondents in this study view that the revenue generated from the common areas would be insufficient to finance any new affordable housing project and it would only cover the maintenance costs.

4.3.3.2 Access to outsiders to use condominium facilities. On the contrary and surprisingly, in response to the second issue, which is permission by condominium owners for outsiders to use common area facilities in condominiums to raise financing, 13 out of 17 respondents felt that there would be no issue for outsiders to use the common area facilities

in any condominium provided that security and privacy concerns are properly addressed, and resident owners are convinced of a noble cause. Moreover, based on this study's responses, owners will not object to the entry of outsiders as long as they are enjoying these facilities at no cost or at discounted prices.

[...] In Pakistan, it's not difficult to raise money for a noble cause and the public will support this [...]. (R9)

[...] If revenues generated are used for the wellbeing of society then no such problem may exist [...]. (R5)

[...] If these facilities are properly maintained and residents get benefited from that facility, then no such issue can arise. [...] There should be a proper agreement to use this space for revenue purposes. If shared benefits are offered, then residents will agree to allow the utilization of these facilities [...]. (R15)

However, one of the study respondents from the public sector group believed that people will initially resist this idea, but if the government plays its role by providing this initiative a legal cover, then residents have no option but to acquiesce to the idea.

[...] Yes, they will initially object but if the government makes a legal framework to champion the cause, then there is a possibility. Like in Malaysia; 30% of any project area is reserved for low housing [...]. The development plan may only be approved only after reserving an area for low-cost housing. Unlike here, where developers announce houses all belong to A category [...]. (R4)

4.3.3.3 Importance of professional management. Some of the respondents also emphasised the importance of professional management that caters to the privacy and security problems. This study was mindful of security and privacy problems since the beginning of this study. However, another associated problem emerged during the interviews which is overcrowding, and according to the respondents, this problem can also be handled in the same way through the introduction of professional management.

[...] If properly managed and supervised, no such hurdle will be faced. As long as people believe that revenues generated from this facility will be used for some noble cause, they will cooperate [...]. (R9)

[...][...] If the management is professional, even if made up of outsiders, there will not be such a hurdle. (R14)

Therefore, it can be concluded from the above discussion that most of the respondents are of the view that although it is possible to permit access to outsiders to use the facilities located in common areas in condominiums, they think that the revenue generated as a result of this initiative would not be enough to finance a whole affordable housing project.

Our third respondent from the JMB group offered a solution to this problem as well.

[...] It can be done by offering memberships to residents and outsiders in facilities like indoor games and gyms. (R16)

[...] We can build a gym or pool facility or playground and hand it over to any organisation [...]. (R14)

5. Discussion

It is a well-established and proven fact described in past studies that the biggest hurdle that any cooperative-based arrangement faces is the issue of initial financing (Mohammed, 2018;

Jha, 2014; Md Zabri and Haron, 2019). The WCHF cooperative members belong to a low-income group that faces difficulty in making both ends meet, and therefore, it would be unwise to expect any initial financing from these members. Moreover, in a country such as Pakistan, where the government has been facing fiscal crises of various sorts, it would be very difficult to expect that any such a scheme would be financed by the public sector. Thus, there is a need to identify innovative sources of finance for the implementation of WCHF, and with this end in mind, the researcher then identified revenue generation from common area of condominium to finance this cooperative arrangement.

The proposed source of financing in this study is based on waqf through income generated from common areas in condominium, which is an innovative source of generating funds. Income is generated by dedicating the uncovered (common) areas as waqf land and build new facilities there, which simultaneously leads to the generation of revenue. Additionally, proceeds from these facilities will be used for financing the development of affordable housing by cooperatives. This initiative will create a win-win situation for both condominium residents and the low-income group, as the condominium residents could enjoy the needed facilities at concessional rates while the low-income group can be provided with affordable housing. The consideration for these condominium owners is twofold, as they will get their required facility in the condominium's premises at a discounted price as well as higher returns in the hereafter. The pursuit of key stakeholders' agreement/acceptance for any scheme has been a topic of interest in many studies (Kamal and Ating, 2020; Razak *et al.*, 2020; Bilal *et al.*, 2019) because the successful implementation is dependent upon them.

5.1 Current building laws

The source of finance for WCHF proposed by this study is the revenue generated from common areas in condominiums. This current research revealed that laws related to common areas in condominiums are not uniform throughout the city. Rather, it was identified by the respondents that Karachi is divided into several areas and the laws concerning each area are regulated by different authorities, such as the Karachi development authority, cantonment board and defence housing authority. However, one common element in all these bylaws is that property developers are bound to leave at least 40% of their project area vacant, which can be used for facilities such as car parks, mosques, children play areas, school, gymnasiums, swimming pools, libraries and community halls.

5.2 Existing facilities in the condominiums

As mentioned by the respondents, facilities, such as car parks, mosques and children play areas, are present in almost all condominiums. In addition, some large condominiums also offer facilities such as gymnasiums, libraries, schools, community halls, tennis and squash courts. Observations indicate that these facilities are largely unused at times. These existing facilities may be used for generating revenue and, consequently, this revenue can be used for the construction of affordable housing. However, two main issues emerged, namely, sufficiency of the income generated generation and the condominium residents' permission for the utilisation of common facilities by outsiders.

5.3 Revenue generation from the common area in the condominium

5.3.1 *Sufficient revenue generated from the common area.* It was observed that majority of respondents opined that the income generated from the condominium's common area would not be enough to finance the construction of the whole housing project. Instead, it can only be used to bear the maintenance cost and other miscellaneous day-to-day expenses. The only

respondent group that disagreed was the IFI managers, who supported the idea that there would be no issue of sufficiency once revenue is generated from the common area facilities. This might be because of their financial background and business acumen on the lines that the generated revenue from the common area can be reinvested through Islamic Real Estate Investment Trusts (IREIT) to generate more income.

5.3.2 Access to outsiders to use condominium facilities. Concerning the second issue of whether the residents/owners would permit outsiders to use existing facilities in the condominium's common area came as a pleasant surprise to the researcher who at the beginning of this study thought otherwise. It was thought that most respondents would not encounter any objection provided the owners are aware of the plan when the housing project started, and they are convinced by shariah scholars from a religious perspective. According to the respondents, two conditions need to be met to avoid any conflict or problem regarding the use of facilities by outsiders. The first and foremost condition is the handling of common area facilities by a professional management entity that would manage the issue of overcrowding and cater to residents' privacy and security concerns. The second one is that the owners might receive some incentive by offering these facilities at no cost or at a discounted price.

5.3.3 Importance of professional management. Thus, it is evident from the analysis above that to generate sufficient revenue from common areas in the condominium, there is a need to introduce new professionally managed facilities that oversee the security, privacy and overcrowding concerns of owners. This is because the utility of these facilities will motivate owners to allow outsiders' access into these facilities. According to Pitchay *et al.* (2018), the concerns of improper maintenance and management can be curbed through cooperative arrangements, whereby the members (residents in our case) themselves are responsible for the management and maintenance of their own housing project.

6. Conclusion

This research has built a framework for providing affordable housing to vulnerable groups who are willing to compromise their essential needs for a decent and affordable shelter. This will open up new avenues for generating income from already existing yet unused areas in most condominiums. Furthermore, implementation of WCHF certainly decreases the financial burden of the public exchequer by meeting one of the most imminent and demanding duties of any welfare state, which is to provide decent shelter for all its citizens. WCHF not only provides affordable housing units to the financially distressed members of society, but also expects to positively change the lives of the poor so that they can expand the sum of other basic necessities such as food, clothing, medical care and education, which they are currently paying, to pay for the exorbitant rentals. Moreover, it will not only fulfil the corporate social responsibility of the property developers but also provide a new insight for revising their existing business models. It will also fulfil the religious duty of the general public and condominium owners towards their fellow beings who do not have enough resources to meet their basic need of shelter.

At the macro level, the implementation of WCHF will create new employment opportunities for people who are working in the sector (waqf management companies/trustees) and construction sectors. There is a need to introduce uniform building laws and rules that govern the vacant common area in a condominium. Moreover, there is a need for property developers to communicate with prospective owners of the condominium about their plan to allow outsiders to use the facilities at the common area in the condominium with an aim to achieve consensus. Similarly, looking at shariah perspective, it is essential

to seek permission from condominium owners to use common area facilities by non-residents. As pointed out by the respondents of this study, there is a need to appoint a professional management entity that can formulate rules and regulations for non-residents to address the security and privacy concerns of the residents and to cater to other related problems such as overcrowding. The management should offer these common area facilities in these condominium at no cost or at a reduced price to the residents. Islamic banks should set up accounts for the collection of revenue generated from common areas and monthly payments by cooperative members. Furthermore, Islamic banks should set up a mechanism for a waqf pool in which all the collections are pooled together and they could reinvest the money in profitable ventures with the intention to finance WCHF projects in a cyclical manner. Moreover, Islamic banks should act as a trustee for these waqf revenues generated from common areas and reinvest these revenues through IREITs.

Although this study has introduced an innovative and practical solution for financing affordable housing, it suffers from some limitations. This study collected data from six groups of respondents who were all based in Karachi city, and therefore, the study's findings cannot be generalised. There is a need to conduct the same research in different cultures that might contain other factors behind the motivation to adopt WCHF. Furthermore, there is still a necessity to explore other financing avenues (other than debt and government financing) as well as any such innovative waqf-based cooperative arrangement. Moreover, this study is limited to the design stage and does not discuss the operational aspects for practical execution of the framework. Finally, there is a need to bring two important stakeholders, namely, condominium owners and homeless people, on board for future quantitative survey-based studies to gain a better understanding and insight that are necessary to realise the practicality of WCHM.

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Appendix. Interview questions

- (1) Do you have any affordable housing project for low-income groups citizen as part of your social and welfare responsibilities?
- (2) Is it possible to waqf the common vacant area in the condominium complex in the name of Allah?
- (3) What is your opinion if revenue/gains generated from waqf property be used for the construction of affordable housing for the poor? Please quote any historic precedence on this, if any.
- (4) Please elaborate the current building laws in Karachi. How much is the vacant common area that the developers cannot touch?
- (5) What common facilities do you usually provide in that vacant area in your housing projects?
- (6) How much of the above-mentioned common facilities are used by the residents?
- (7) After the completion of project until how much time the builder manages the project on its own as Joint management body/Union?
- (8) What is the nature of management of this body, i.e. authoritative or cooperative? Can you impose your decision even if the residents do not agree to any scheme?
- (9) How can we commercialize the vacant common area to generate income?
- (10) What are the possibilities to allow the nonresidents (outsiders) to use the existing facilities located in the project?
- (11) What are the feasible hurdles in allowing the nonresidents (outsiders) to use the existing facilities located in the condominium project?
- (12) What is the potential to build new commercial facilities in the project to be used by the nonresidents with a view to generate revenue?
- (13) To what extent will condominium owners agree to the scheme of using their shared areas and building new facilities to generate revenue from the condominium complex?
- (14) What would be the security and privacy concerns of the residents, if any, if outsiders are allowed to use the existing facilities of the project?

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- (15) How can we address these concerns of the residents?
 - (16) Can WCHM help to provide affordable housing to the poor living in the slums of Karachi?
 - (17) How important is the role of government and developers in the implementation of this scheme and in spreading awareness among the stakeholders?
 - (18) How beneficial is this arrangement compared to other past initiatives to provide affordable housing for the poor?

Framework of
affordable
cooperative
housing

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