

“Challenges Faced By Islamic Windows of Conventional Banks in Srilanka.”

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ABSTRACT

Islamic finance is the fastest growing segment of the global financial system. The Islamic financial sector is now facing great demand worldwide. The term Islamic banking became common in the 1960's, but the mechanisms and concepts of the system were implied and used since the birth of Islam. Islamic banking and finance practices are conceptually different from conventional practices.

Amana investments, established in 1997, lead the country's Islamic financial services market. From there onwards the Central Bank of Sri Lanka has made crucial steps in improving the industry especially with the amendment of the banking Act. Sri Lanka is one of the few non-islamic countries to have legislation for the Islamic banking sector. Following amendments to the banking act no 30 of 1988 in March 2005, there is now adequate flexibility for conventional banks to establish Islamic banking windows and launch Islamic financial products.

Now in srilanka there is a one and only fully fledged Islamic bank and four conventional banks that have Islamic windows. Those are, BOC, Commercial Bank, HNB and MCB. This banks' Islamic windows facing so many challenges while they are operating. So identifying and presenting those challenges to this society is more important to spread the Islamic banking system in srilanka.

Through this study the research problem is, what are the challenges faced by Islamic windows of conventional banks in srilanka? According to that researcher going to reach this target from following Objectives. (1) Find out the sharia based challenges faced by Islamic windows. (2) To identify the operational challenges faced by Islamic windows. And (3) find out the legal challenges faced by Islamic windows. Accept MCB bank all other three banks have only one Islamic window of their head office. But MCB also doing its business keeping its head office as its main branch, so researcher chooses all these Islamic windows head offices as population, so here population is equal to sample. Researcher use primary and secondary data's to complete this dissertation. As primary data's, questionnaire, interviews and observations are used.

This Dissertation is divided into five chapters as follows; Chapter one will present the overall introduction about the study, second chapter is the Literature Review. Third chapter includes the methodology. Chapter four data presentation and analysis and Last Chapter will discuss the findings of the Research and Recommendations for future development of this study.

Key words; Islamic finance, Islamic windows, challenges and conventional banks.