

ISLAMIC PAWNBROKING OFFERED BY ISLAMIC FINANCIAL INSTITUTIONS OF SRI LANKA: A SHARI'AH PERSPECTIVE

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Abstract: This study seeks to examine "The Pawnbroking Scheme that is practiced for interest-free loan facilities offered by Islamic financial institutions to identify the Shari'ah issues and practical challenges. This article is a special reference to Amana bank PLC (fully-fledged Islamic Bank) and LOLC Al- Falaah (non-banking financial institution) as the existence Islamic pawnbroking system is currently practiced by only these two IFIs as of Sep 2022. This study has been designed by qualitative research method and the study has been carried out with primary and secondary data. The semi-structured interview has been used as the primary method of data collection. Every discussion was held with relevant personnel such as Shari'ah Supervisory Board (SSB) members, Shari'ah advisors, product development unit staff, and managers, and the conversation during the discussion was recorded and analysed through theoretical content analysis. To achieve the research objectives mentioned above the study has used secondary data collected from the kinds of literature such as journal publications, books, and book chapters, authorized or recognized website information, annual reports of the IFIs, information on official websites, and official newsletters of banks, official newspapers and the like. The researcher has identified that Islamic pawnbroking financing offered by IFIs of Sri Lanka complies with Shari'ah principles and Islamic commercial law and is structured based on the combination of various accepted Shariah contracts and concepts. The results of this study found that the Islamic pawnbroking scheme practiced under the name of gold safekeeping financing or gold storage facility at the IFIs is a superior product to Muslim society to avoid conventional pawning. It is an alternative service to conventional pawning practices that contradict sharia rules. This alternative has been growing as a microfinance tool that provides a cash loan facility compliant with Shari'ah.

Keywords: Islamic Pawnbroking, Rahn, Wadia'h, Ujrah, Gold safekeeping