

# EXAMINING THE CURRENT PRACTICES OF IJARAH IN ISLAMIC FINANCIAL INSTITUTIONS IN SRI LANKA

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**Abstract:** This thesis reports the findings of a study issues connecting the Ijarah financing in Sri Lanka. This study investigates current practice of Ijarah financing within the Sri Lankan context. The research published so far has been done with some of the specific issues related to the Ijarah. But this study examines the corpus of Ijarah financing practice. To collect the data, two Islamic Financial Institutions were selected as sample, both are LOLC Al- Falah and Amana Bank PLC, in selected area Akkaraipattu. The Data were collected for this study, both primary and secondary sources. The Primary data were collected by conducting semi-structured interviews with the 'ten' practitioners, as well as the 'five' customers of selected Islamic Financial Institutions, and 'three' Shari'ah experts of Sri Lanka. The required secondary data was collected from records of selected IFIs, magazines, Articles, Books, Websites, and recent news publications. The collected data were analyzed by content analyzed method.

Based on the analyzed matters, it is clearly evident that there is no any issues that are in serious contradiction to the Islamic Shari'ah in the practice of Ijarah financing which is being implemented in Sri Lanka. Nevertheless, penalty charging, early settlement charges, buy al-inah, and some terms and conditions are not in accord with Shari'ah. It can be seen by the researcher that there is very much fewer issues in Amana Bank than al-Falah leasing company. The study was found what the issues and challenges are in the Ijarah practice in Sri Lanka. Eventually this research report recommends some suggestions for the Islamic Financial Institutions for get rid of found Shari'ah issues.

**Keywords:** Ijarah, Islamic Financial Institution, Shari'ah, Issues and Challenges.