

Impact of Economic Crisis in Islamic Financial Institutions in Sri Lanka

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ABSTRACT

Financial crisis is one of the various situations in which some financial assets suddenly lose a large portion of their nominal value. An economic crisis is called the most depressing phase of a declining economy. Economic crises can be triggered by a variety of factors: industrial, energy (petroleum), real estate, finance, banking, etc., and are generally classified as affecting the quality of life of the population. Currency devaluation, capital shortages and high interest rates. All sectors such as education, economy, society, culture, and politics may be affected by such economic impact. A similar complex economic crisis is currently unfolding in Sri Lanka. That is, with increasing debt, the value of the dollar increases, and the cost of goods increases day by day. All sectors have been affected by the economic crisis, while the banking sector of the economy has been hit hard. On that basis, the Islamic financial institutions in Sri Lanka are also suffering day by day and facing many challenges. Challenges faced in the major manufacturing and services of Islamic financial institutions, such as Mudharaba deposits, investment related Mudharaba, as well as facilities involved in the operations of each Islamic financial institution, as well as operations within the service sector, such as Murabaha, Ijara, Diminishing Musharaka, Rahn, Musada (Emergency Credit Service) etc. Here's a record of how Islamic financial institutions face challenges such as vulnerability, customer base conditions, credit market problems, and the impact on profitability. Every product and service are affected by the current economic crisis in Sri Lanka and cannot be transported properly. Aims to explore in relation to them. The study aims to identify key challenges facing Islamic financial institutions and how to overcome them. The standard research method used in this study. Data were collected through primary data interview and secondary data were collected from available online sources and texts. Amana Bank was selected as the model for the complete Islamic bank and People's Bank - As Safa for the Islamic window of the traditional bank. People's Bank - As Safa is the main product of the Mudharaba deposit, the problem with investments, the problems with the customer base, the credit market situation, the impact on the profit margin, as well as the Mudharaba cash deposit, which is the main product of the Amana Investment Company, and the investment problem. The section covers many such as the challenges faced in services such as Murabaha, Ijara, Diminishing, Musarakka and Musada.

Keywords: *Economic Crisis, Islamic Financial Institutions, Sri Lanka*

The Manuscript has been withdrawn from the proceedings according to the authors' request