

# SHARIAH VIEW ON ISLAMIC VEHICLE LEASING IN SRI LANKA

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**Abstract:** the vehicle Lease and Hire Purchase market in Sri Lanka is dominated by motor vehicles. Since its inception in the 1980s with the commencement of its operation of Lanka Orix Leasing Company Limited, a massive in the finance industry backed by Orix Group Japan, leasing has been a popular mode of financing for purchase of assets. It is a high growth form of short- and medium-term financing, which is very popular among customers of all categories. Concept of financing in the form of leasing is similar to Islamic banking concept of Ijarah that facilitates clients, to use assets, by making periodic payments and own it at the option of the lessor, after making fixed number of payments (rentals) regularly. Initially the finance company purchases the asset as per the liking of the customer and hands over the usage back to the customer on lease basis and recovers monthly rentals that includes bank's internal rate of return. The key objective of this research is to examine the Shariah view of practicing Islamic leasing in Sri Lanka based on Islamic Leasing at fully fledged Islamic bank (Amana Bank PLC) and the second largest Islamic Financial Institution in Sri Lanka (Al-falaah LOLC). The data were collected from primary source mainly from interview and secondary sources were past research findings, research papers, annual reports, Newsletters, books, News articles and websites. Data were analyzed through coding manually. The finding of this study shows that the major practice of Islamic vehicle leasing is mostly related with Shari'ah compliant unless there are few minor contradictions and issues were identified. Therefore, recommendations have given by the researcher in order to overcome those identified issues in future.

Keywords: Vehicle Leasing, Ijarah, Shari'ah contradictions.