

Gold Financing Facility

Sri Lanka

Implementing Agency/organization	Amāna Bank
Implementation Period	Aproximately 2 years
Location (City and Country)	Sri Lanka
Total Cost to implement the Project	Approximately US\$ 250,000
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The Challenge

The Challenge was to develop a product which is sharia compliant and is an equivalent alternative to conventional pawning (interest based loan against gold jewelry), while complying with the local laws and regulations specific to pawning within the Sri Lankan context, a country with a Muslim minority of less than 10%.

The market context was as follows;

- Financially underprivileged masses in Sri Lanka have been dependent on conventional pawning services to meet their emergency financial requirement, which was offered mostly by private moneylenders in addition to Finance Companies and Banks.
- Due to unfavorable terms and high interest rates applied specially by private money lenders, such people (mostly ladies) were further exploited and even ended up losing ownership of their gold articles.
- Sharia conscious customers did not have an alternative and were compelled to obtain interest based pawning facilities out of desperation.

The Innovation

The key innovation is in addressing this market need through two independently sharia compliant products, which together satisfies the countries legal and regulatory compliance requirements.

- Accordingly, the first product 'Gold Safekeeping' is a service which involves safe keeping of gold jewellery, assayed by the bank, for a custodial fee. A Gold Safekeeping certificate will be issued to the customer as the proof of this custodial arrangement.
- The second product, 'Emergency Cash' is a benevolent loan which can be obtained free of charge, whenever needed, by pledging the Gold Safekeeping Certificate.

The Impact

- The product was recognized by Global Finance Magazine USA under Islamic Finance Innovators Index and by 'Sri Lanka Islamic Banking and Finance Industry Awards' with the Gold Award for best product.

- Over 20,000 transactions of Emergency Cash disbursements have taken place so far, touching the lives of people who were previously deprived of sharia compliant financial inclusion.
- Public appreciation for the special attention given towards women, through the facilitation of an environment of privacy and security for lady customers through exclusive ladies units housed in relevant Amāna Bank branches.
- In terms of model acceptance for Islamic Banking in a Non-Islamic country, the value proposition of the model was truly demonstrated for its focus on financial inclusion, empowerment of women and catering to market needs in a people friendly approach.