

Islamic Economics and Finance: A Glossary

2nd edition

Muhammad Akram Khan

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Islamic Economics and Finance: A Glossary

Islamic economics and finance has increased in importance over the last few decades, with new Islamic financial institutions opening up and a number of valuable books published on the topic.

This glossary, fully updated and revised for the new edition, uses easy-to-understand language to introduce terms used by Muslim scholars, historians and legal experts. The book covers terms from Arabic, Urdu, Turkish, Malaysian and English sources, while covering the Islamic side of terms such as taxation, banking, insurance, accounting and auditing.

The book's unassuming yet comprehensive nature will appeal to economists, bankers and accountants, as well as students and researchers with an interest in economics and finance.

Muhammad Akram Khan is Deputy Auditor General in the Government of Pakistan. He has published several books on Islamic economics and finance.

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Muhammad Akram Khan

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Preface to second edition

The first edition of this book titled *Glossary of Islamic Economics* came out in early 1990. It contained terms mainly relating to Islamic economics in vogue up to 1988. Since then, I have been working on the revised draft of this book. During the last 14 years or so, there has been a lot of expansion in Islamic finance. There is now a well-developed market of Islamic financial instruments where Islamic financial institutions and insurance companies conduct business. I have tried to include, as far as possible, all the terms relating to Islamic finance in vogue by the end of 2002.

I have revised the title of the book to show that it contains terms relating to Islamic finance as well. There are now about 200 Islamic financial institutions around the globe. These institutions have done a lot of innovative work in designing a large number of new instruments. A host of new agreements and economic relationships have come into being in this wake. A large number of conventional banks and insurance companies have shown interest in the emerging Islamic finance. They include Muslims as well non-Muslims. On the academic front also, there has been a flurry of activity. A number of universities now offer courses, both undergraduate as well as postgraduate, in Islamic economics and finance. There are courses available through distance learning programmes. The Internet also provides a rich resource. These developments have necessitated taking care of the new terms and concepts being coined all around in the field. The present edition of the book tries to capture most of the developments in Islamic economics and finance over the last one decade or so. The objective has been to give a concise and correct meaning of the terms being used so that those who are not well versed in the subject are able to understand the subject easily.

As is the nature of all living academic disciplines, there is no stock of terms lying anywhere relating to Islamic economics and finance. I came across these terms while reading the literature on the subject. It is possible that I may have missed some of the terms as I did not come across them.

The readers, who find such gaps may inform me so as to enable me to update the work in the future.

It is not possible to name and thank any one person who has contributed towards this work, since they number so many. In fact, I owe my heartfelt thanks to all the practitioners, writers and thinkers of Islamic economics and finance. Their writings, speeches and thought have helped me in compiling this book. My special thanks are for Mr Amjad Mahmood, who worked relentlessly to insert the diacritical marks on the Arabic words. However, as usual, I alone take the responsibility for any error or omission.

I hope the book will help the readers, researchers, scholars and practitioners of Islamic economics and finance in understanding the subject better.

Muhammad Akram Khan
Islamabad
Pakistan
November 2002

Preface to first edition

This glossary has a short history. The need for it arose out of my own inadequacy in understanding the literature on Islamic economics. I had a fascination for Islamic economics since 1963, and by 1970 had almost decided that I would devote my life for developing this subject as an independent branch of knowledge. But I felt that in the absence of a commonly understood terminology, it was not possible to understand and communicate in the subject. I felt that, like myself, a large number of young graduates from the Western system of education have the desire and potential to contribute to the development of this subject, but that they are not equipped properly with the traditional Islamic knowledge. They do not have direct access to the primary sources of Islam. They need to be provided with a broad, general and precise explanation of the technical terms which they come across in the literature on Islamic economics. It is in response to the need of this group that this book has been written.

Technical terms are a *sine qua non* for the development of an academic discipline, providing a means for precise and economic communication. This book is an effort to present an inventory of technical terms used in Islamic economics, which it is hoped will lead this infant discipline a few steps further on the road to its recognition as a branch of knowledge.

Another objective for writing this book is to develop a better communication with Western scholars, economists and bankers, who have recently shown a keen interest in Islamic economics. This book, I hope, will provide them with a convenient means to understand (and even to use) the technical terms often applied in the literature.

I have been compiling over the past sixteen years the various terms used in the literature on Islamic economics. At times I was not sure whether a writer was using a particular phrase as a technical term or was just applying an Arabic expression. In the absence of a standard lexicographical work on Islamic economics, I had to use my own judgement. Therefore, whatever terms there are in this compilation have my subjective bias about their being technical terms. In formulating this judgement, however, I have often relied

on whether a word was being used in its plain lexicographical meaning or to mean something different. In the latter case, I have often selected a phrase rather than a single word.

A large number of the terms used are from legal sources, but I have tried to avoid, as far as possible, the adoption of any particular juridical point of view so as not to preempt the judgement of future researchers. Therefore, the technical terms give a general meaning and not the legal position in respect of each word.

Most of the terms are from Arabic, since the primary sources of Islamic economics are in that language. However, due to a flurry of recent research publications in Urdu and English, I have also included technical terms from literature in those languages as well as some terms of Turkish or Persian origin. The Arabic words have been transliterated into English on the assumption that they cannot be adequately translated into English. I have also provided the Arabic version of these terms with the main entries.

A large number of entries in this glossary are *fiqh* terms, some of which are out of date. However, they have been included in the hope that students of Islamic economic history may be able to benefit from them.

The sources for this book are innumerable. It is not possible for me to recall from where I picked each particular term during the last sixteen years. However, I have relied on the following lexicographical works for checking the accuracy of the meanings:

- Al-'Iṣfahānī, al-Rāghib, *Mu'jam Mufradāt Alfāz al-Qur'ān*. Beirut: Dār al-Kitāb al-'Arabī, 1392 AH.
- Ibn al-'Athīr, Majd al-Dīn Abū al-Sa'ādāt, *al-Nahāyah fī Gharā'ib al-Aḥādīth wal 'Athār*. Beirut: Dār al-Turāth al-'Arabī, 1963 (5 vols).
- Qal'aji, M., Rawwās and H.S. Qunaibī, *Mu'jam Lughah al-Fuqahā*. Beirut: Dār al-Nafā'es, 1985.
- Lane, E.W., *An Arabic-English Lexicon*. London: Barley Brothers, 1955-6 (8 vols).
- Cowan, J.M., *A Dictionary of Modern Written Arabic*. London: Macdonald Evans, 1974.

My thanks are due to innumerable scholars and writers on Islamic economics who provided me the source material for this book but they are too many to be thanked individually. I must also express my deep gratitude to my wife, Aquila, and to my children, Junaid, Noori, Asma, Amina and Marya who spared me time during all the years I was working on this project.

Muhammad Akram Khan
Lahore
Pakistan
December 1988

Transliteration of Arabic words and names

ا	a consonantal sound		
ء	' apostrophe		
ع	‘ inverted apostrophe		
—	ā long vowel		
ب	b	غ	gh
ت	t	ف	f
ث	th	ك	k
		ق	q
		ل	l
ج	j	م	m
ح	ḥ	ن	n
خ	kh	ه	h
د	d	و	w consonant
ذ	dh	و	ū long vowel
ر	r		
ز	z		
س	s	و	au diphthong
ش	sh	ي	y consonant
ص	ṣ	ي	ī long vowel
ط	ṭ	ي	ai diphthong
ظ	ẓ		

Glossary

A

AAD (Arab accounting dinār) One AAD is equal to 3 SDRs (Special Drawing Rights). Used for settling balances among Arab League countries. See also **AMF**.

AAIB (African Arabian Islamic Bank) An international bank registered in the Bahamas and entirely owned by private Muslim individuals, the bank claims to conduct its operations on the basis of the *sharī'ah*. It offers services in syndicated interest-free loans, international investment, technology transfer, trade, commodities and currency trade and development funding. Perhaps the most prestigious of the bank's involvements was the multi-million dollar monorail scheme linking Calgary to Edmonton (Canada) in 1984. Similarly, the bank was arranging financial and trading services for Powell Chemicals of the United States for Arabian Express Card – the first consumer discount and travel protection card in the Arab World – and for various other activities, such as gold and diamond mining in West Africa, windmill technology in Salt Lake city and tar-sand technology in Canada.

AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) A private sector standard setting body, based in Bahrain, with the aim of producing international accounting standards within the *sharī'ah* framework for Islamic banks and financial institutions. Within the organization, there is a Financial Accounting Standards Board consisting of 22 voluntary members representing Islamic banks, users of financial statements of these banks, practicing accountants, academics,

sharī'ah scholars and regulatory bodies. The Board is assisted by a *sharī'ah* committee, which reviews proposed pronouncements and advises the Board on their compliance with the Islamic precepts. There is an Executive Committee for Planning and Follow-up, which recommends priorities to the Board and draws up its agenda. The Supervisory Committee of the organization consists of 17 voluntary members and has the responsibility, besides oversight, to raise funds for the organization. The AAOIFI follows an extensive due process of eight phases which governs the production of its standards.

ABC (Arab Banking Corporation) Islamic Bank An exempt joint stock company incorporated in Bahrain in 1985 and a wholly owned subsidiary of the ABC. It operated as an investment bank up to 31 December 1997 but has engaged exclusively in Islamic banking activities since then. Authorized capital at the end of 1998 was US\$ 52.5 million, of which US\$ 42.5 million was issued and fully paid.

ABID (al-Baraka Investment and Development Company) ABID, established in 1982, is the financial services arm of the Dallah Al-Baraka Group of Saudi Arabia, encompassing 43 banks, financial and investment institutions in 29 countries and is responsible for managing the group's world-wide Islamic banking, insurance and leasing resources. Founded in 1969 by Sheikh Saleh Abdullah Kamel, the group is a conglomerate of over 300 companies and had an asset base of US\$ 7.0 billion and investment of US\$ 900 million in 1997.

ACC (Arab Cooperation Council) Set up by Egypt, Iraq, Jordan and Yemen. Aims are: coordination and harmonization of major economic policies, especially in finance, customs, industry, trade and agriculture moving towards a common market.

ACM (Arab Common Market) Egypt, Iraq, Jordan and Syria formed the ACM in 1964 and abolished all tariffs on locally produced agricultural, animal and mineral products in 1971 and on manufactured goods in 1973. Libya joined the ACM in 1977, Mauritania in 1980 and PDR Yemen in 1982. These countries did not implement the free trade provisions until the end of 1985. In practice, non-tariff barriers were not removed.

ACU (Asian Clearing Union) Established in 1974 and started functioning in 1975, has seven members of which Bangladesh, Iran and Pakistan are Organization of Islamic Conference (OIC) members. Other members are Myanmar (formerly Burma), India, Nepal and Sri Lanka. The objective is to facilitate payments for current international transactions and to promote use of participants' currencies. The unit of account is Asian Monetary Unit, which is equivalent to 1 SDR of the International Monetary Fund (IMF).

acquired equity A proposed term for the capital that a business firm other than a joint stock company obtains for meeting its financing needs for a specified period after which it would be returned to the investors. The basis for acquiring these funds could be any of the permissible modes of finance. This is to be distinguished from the owners' equity, which is contributed by the owners on a permanent basis. An alternative term for such financing is *redeemable equity*.

al-'adadiyāt Things that are sold by units, such as oranges and eggs.

'adāhī *Lit:* Sacrifice of animals. *Tech:* Obligation on every person having wealth beyond a certain minimum (*niṣāb*) to sacrifice an animal during 10–12 of the Islamic month of *Dhu al-Ḥajj* to commemorate the way (*sunnah*) of Prophet Abraham.

al-'adl *Lit:* Straightness, justice, fairness, equitableness. *Tech:* It consists of two elements: first, a sort of balance should be maintained among the people with respect to their rights; second, everyone should get what is due to him and pay what is due from him. What *al-'adl* really demands is balance and proportion, rather than equal rights of citizenship. In certain respects, equality can be quite contrary to justice, such as in case of moral and social equality between parents and their children, or equality of remuneration between those doing higher services and those not so eminently engaged. What Allah has ordained is proportion and balance in the equality of rights. *Al-'adl* requires that every person should be rendered all of his or her moral, social, economic, legal, political and civil rights. *Al-'adl* is a mother virtue in the Muslim society. Individuals and society as a whole should observe justice in all their dealings. (*Ant:* *al-zulm*, which means to deprive someone of his rights.)

al-'afāf *Lit:* Abstinence, virtuousness, decency, honesty. *Tech:* A state of contentment with whatever little one has and to appear rich with it despite being poor.

al-'afw *Lit:* surplus. *Tech:* The expression appears in the *Qur'an* (2: 219) wherein people have been instructed to spend in the cause of Allah whatever is over and above their needs. Some people have also applied the concept of *al-'afw* to the canons of taxation in the Islamic economy. According to them, the Islamic state should tax people on the income or wealth that is over and above the needs of the individuals.

agency-based contract for investments Relating to Islamic banks, refers to investment contracts where the investment account holders appoint the Islamic bank as agent for investing their funds for a specified fee and share of profit if it exceeds a certain level, the latter being an incentive for the Islamic bank to achieve a return higher than expected.

Agreement for Promotion, Protection and Guarantee of Investments among Member States of the Islamic Conference Initiated by Saudi Arabia in 1981 to supplement and make firm the 1977 General Agreement among OIC countries, it primarily relates to liberalization of capital movements and protection of direct investments by member states.

'ahādīth al-mu'āmalah Traditions of the Prophet relating to the Khaibar lands which he returned to the Jews after conquering Khaibar. The terms of agreement provided that the Jews would pay half of the produce of these lands to the Muslims.

AIB (asset 'ijārah bond) A proposed financial instrument for mobilizing finances for durable assets. The proposed bonds are securities of equal denomination for each issue, representing physical durable assets that are tied to an *'ijārah* contract as defined in the *sharī'ah*. In its simplest form, the AIB is based on a leased asset, say, a building of school leased to the government. The lease contract becomes the AIB, generating a stream of rents periodically. The AIB contract can be sold and bought in the market at a market price that is formulated by the market

demand and supply. Against one lease contract, AIBs of smaller denominations can be issued. Each holder of the AIB can claim his entitlement of the rent on due date from the government. More sophisticated forms of AIBs are possible by introducing banks as intermediaries. The banks can raise funds for financing the purchase of assets and then leasing the asset on behalf of the owners to government or any other agency. The agreed rent can be translated into AIBs of suitable denominations according to the funds provided by each investor. Provision for the ultimate sale of asset to the lessee at the end of lease contract can also be made. The return on AIB can also be made variable or indexed with inflation rate over longer period. They can also incorporate a variable period for payment of rent which can be different from the period of the lease. Similarly, AIBs can apply some restrictions on the use of assets. They have also been termed as **asset 'ijārah securities**.

AIG Asian Infrastructure Fund Sponsored by American International Group (AIG), a US-based international company, in 1994 for investment in infrastructure projects of China, India, Pakistan, Malaysia, Indonesia, the Philippines, Thailand and other countries. Emerging Markets Partnership, a consulting company, is managing the fund.

AIS (asset 'ijārah securities) See **AIB**. Also see **asset 'ijārah securities – simple, asset 'ijārah securities involving financial intermediaries, asset 'ijārah securities issued by the government and transferable 'ijārah warrants**.

AIS – financial (asset 'ijārah securities involving a financial intermediary)

A proposed financial instrument for the government to raise funds by leasing out certain assets. In this case, a bank can be asked to act as an intermediary, providing its expertise for issuing and selling the securities. The bank will get compensation for its services from the government.

AIS – government (asset 'ijārah securities issued by the government)

A proposed financial instrument for raising funds by the government through leasing of specified assets. The securities are issued and managed by a government department, usually the one that needs funds.

AIS – simple (asset 'ijārah securities – simple) It is an alternate term for **asset 'ijārah securities** or **AIBs**.

al-'ain Relating to the law of *zakāh*, originally meaning gold and silver but now also applicable to coins, currency notes, demand deposits, time deposits and any other form in which money may be held. The word has several other meanings in *fiqh* in general.

al-'ajīr al-khāṣṣ *Lit:* Specific worker. *Tech:* A full-time worker who agrees to perform a certain duty for one employer exclusively. For example, a watchman, who sells his time exclusively to his employer. See also **al-'ajīr al-mushtarak**.

al-'ajīr al-mushtarak *Lit:* Shared worker. *Tech:* A worker or craftsman who does not earn wages until he performs the specific task assigned to him. For example, a washerman, a dyer or a carpenter. Such craftsmen do not sell whole of their time; instead, they agree to perform certain tasks for specified wages. See also **al-'ajīr al-khāṣṣ**.

al-'ajr al-mithl Wages prevalent in the market for a certain service.

al-'akarah Historically, peasants who held no fixed leases and were mostly landless day labourers.

'akl bil batil *Lit:* Usurping another person's property unjustifiably. *Tech:* It is the Qur'ānic expression for unlawful acquisition of wealth such as *ribā*, bribery and usurpation of orphan's wealth, etc.

'akl al-suḥt *Lit:* Acquiring illegal property. *Tech:* Qur'ānic term for bribery, especially to accept gifts for distorting divine guidance.

al-'amal *Lit:* Work or activity. *Tech:* A value of Islamic society that stresses the need for hard work and action by human beings. The *Qur'ān* exalts work and condemns wasting of time in idleness and frivolities. The work must be 'good or beneficial' (*al-'amal al-ṣāliḥ*). Islam recognizes the individual's right to choose any work for his livelihood but obliges him to consider the needs of the society as well.

al-'amānah *Lit:* Reliability, trustworthiness, loyalty, honesty. *Tech:* An important value of Islamic society in mutual dealings. It also refers to deposits in trust. A person may hold a property in trust for someone else, sometimes by express contract and sometimes by implication of a contract.

'Amānah Ikhtiār Malaysia A cooperative organization in Malaysia that aims at combating rural poverty by advancing government sponsored loans on interest-free basis. Its capital comes, mainly, from the Malaysian Islamic Economic Development Foundation.

'Amānah Saham Bank Islam An Islamic unit trust fund established by Bank Islam Malaysia Berhad. Its purpose is to provide a channel for investors to pool their funds and invest in a manner approved by the *sharī'ah*.

al-Ameen Islamic Financial and Investment Corporation (India) Limited Incorporated on 12 April 1984 in Karnataka, India, it has four branches, an authorized capital of Rs 10 million and paid-up capital of Rs 0.5 million.

al-'āmil In a contract of *muḍārabah*, the person who acts as a working person. Also, in the law of *zakāh*, a collector of *zakāh*.

al-'āmil al-fai' Historically, the official appointed to collect *jizyah* and *kharāj*, to lease *fai'* land and oversee its cultivation. The *'āmil* would receive payment for his services from out of the revenue collected by him. He was not authorized to spend the revenue collected by him without permission.

al-'āmilīn In the law of *zakāh*, persons involved in the collection, distribution and management of *zakāh*. It includes eleven categories of officials, such as collectors, clerks, scribes, distributors, store-keepers, accountants, etc.

al-'amīn al-'āmm A person who holds in trust property of another person, possession of which has been passed on to the trustee by the owner

himself, but the principal objective of transfer is not safe custody. For example, a tenant who hires a house or a *muḍārib* in a contract of *muḍārabah*, etc. See also **al-'amīn al-khāṣṣ**.

al-Amin Company for Securities and Investment Funds A member of Dallah al-Baraka Group, was founded in 1987 in Bahrain. Main activities are: issuance of participating shares in the variable share capital, which form the basis for financing and investment transactions and providing financial instruments that are capable of being traded in accordance with the Islamic *sharī'ah*. In February 1998, it had US\$ 289 million under its management.

al-'amīn al-khāṣṣ A person who holds in trust property of another person with the principal objective of safe custody. See also **al-'amīn al-'āmm**.

al-'amir *Lit:* Inhabited or cultivated land. *Tech:* Land belonging to people collectively, such as a path, a canal or a river. Nobody can claim ownership of these lands except with the express permission of the people. See also **al-mawāt**.

'amīrī lands See **mirī lands**.

AMF (Arab Monetary Fund) Established in 1977, has 21 members who belong to the Arab League. The purpose is to provide short- and medium-term loans to finance balance of payments deficits of member countries. It has an authorized capital of AAD 600 (AAD = Arab accounting dinār; 1 AAD = 3 SDRs).

AMU (Arab Maghreb Union) Set up by Algiers, Libya, Mauritania, Morocco and Tunisia in 1987. Aims are: institutional framework and broad guidelines for integration in food security, economy and finance, infrastructure, human resource development, joint service and service infrastructure, sectoral councils in trade, industry, energy, mines, finance, tourism and crafts, a joint air company and an AMU investment bank.

al-‘amwāl al-fāḍilah *Lit:* Miscellaneous receipts. *Tech:* Miscellaneous receipts of the *bait al-māl*. It was a regular head of account in the *bait al-māl* of the caliph and consisted of such unclaimed receipts found on the way (*luqatah*), property of the heirless or properties of persons who had fled from the Islamic state.

al-‘amwāl al-ribawiyah It connotes six items on which *ribā al-faḍl* arises: gold, silver, dates, wheat, salt and barley. Their exchange has been conditional with equality in weight and measure and simultaneous transfer of possession, failing which it would involve *ribā al-faḍl*. It has been held by some jurists that *ribā al-faḍl* arises only in respect of these six articles, but others have included other articles similar to these six.

al-‘anfāl *Lit:* An accretion or addition received beyond one’s due. *Tech:* Spoils of war, signifying that they are incidental accessions above and beyond anything that a *mujāhid* is entitled. A *mujāhid* fights to uphold the cause of righteousness and for the supremacy of Islam. If in this fight he gets a share in the spoils of war, it is an extra favour to him. See also **al-khumus**.

‘anwah fai’ See **sulḥ fai’**.

al-‘aqār *Lit:* Immovable property. *Tech:* Relating to the law of *kharāj* and *‘ushr*, it includes immovable property and all other allied forms of property such as minerals, treasure trove and fruits on trees, etc.

al-‘aqd Legal contract implying an enforceable act involving a bilateral declaration, namely, the offer (*‘ījāb*) and the acceptance (*qabūl*).

al-‘āqid *Lit:* One who contracts. *Tech:* In the law of *‘inān* partnership, the partner who enters into a transaction with a third party. The other partners are known as *mu’akkal*. The jurisdiction of *al-‘āqid* has been defined specifically for different types of transactions. The *‘āqid* acts as agent (*wakīl*) of the remaining partners but not as surety (*kafīl*) for them.

al-'āqilah *Lit:* The group of people who share the blood-money liability of any one among them.

al 'aqrab fal 'aqrab An important juridical principle for distributing the wealth of a deceased. It means that the nearer ones of the deceased have a prior right over his or her wealth than the distant relations.

Arab accounting dinār See AAD.

Arab Common Market See ACM.

Arab Cooperation Council See ACC.

Arab Maghreb Union See AMU.

Arab Monetary Fund See AMF.

ARABIC (Al-Rahji Banking Investment Corporation) The largest Saudi banking company with an international network. Started Islamic banking in 1985 from Saudi Arabia.

al-'arīḍa Pertaining to the fiscal administration of the 'Abbāsids (AD 750–945), a register containing information about expected and actual receipts and payments. It contained three columns: the estimated yield (*'aṣl*); the actual yield (*istikhrāj*); and the difference between the two.

al-'arāya See **bai' al-ariyyah**.

al-'arḍ al-'adī Abandoned or dead lands without any traceable owners. See **al-'arḍ al-mawāt**.

'arḍ al-'afw A category of *sulḥ* lands, taken over by the Muslims from an enemy as the original owner had left without fighting.

'arḍ al-'anwah Land conquered by Muslims by force of arms and without any agreement.

al-'arḍ al-ba'idā' Bare or uncultivated land, especially land without fruit trees.

'arḍ al-b'al According to some, it consists of areas where the level of underground water is so high that it brings moisture to deeply sunk plant roots, while others think it is the land that is watered by a sufficient supply of rainfall. Historically, these lands were also treated as ones that did not involve human labour for irrigation. Therefore, the tax on them was the heaviest.

al-'arḍ ghair al-mamlūkah See **al-'arḍ al-mubāḥah**.

'arḍ al-ghīl Lands irrigated by water dammed up in reservoirs or from underground canals. Tax on them was 'ushr or half-'ushr, depending upon the investment involved in irrigation.

'arḍ al-ḥawz Originally, it meant a land taken over by the state treasury, as its owner died without leaving any heir. Gradually, it came to be identified also with lands annexed to the state by way of *ghanimah*.

al-'arḍ al-khāliṣah The lands declared as public property.

'arḍ al-kharāj Lands owned by non-Muslims but which have been conquered by the Muslims, either by force or by truce but left with the previous owners by the Islamic state. The Islamic state levies a land tax as in the treaty or as fixed by itself.

al-'arḍ al-khāṣṣah Lands exclusively meant for the Prophet. They were as follows: first, *Fadak* and the land of *Banū Naḍīr* and all the goods therein which 'God had returned' to him without war. Second, *ṣafīy* or *ṣafīyah* which the Prophet had selected for himself from the booty

before it was divided among the Muslims. Third, one-fifth of the *khumus* of the booty, that is, 1/25th of the booty.

'arḍ li-bait al-māl See **al-'arḍ al-mamlakah**.

al-'arḍ al-maḥmīyah Land in a village set aside for establishing streets, markets, recreational parks, festival grounds, etc. The purpose of such land could be general or specific such as for grazing. The property rights of such land remain with the *bait al-māl*. The land so marked cannot be sold. The state has the responsibility to regulate its use. See also **al-ḥimā**.

al-'arḍ al-maitah 'Dead' or abandoned lands whose owners are not traceable. Also known as *al-'arḍ al-mawāt*.

'arḍ al-mamlakah A generic term used for all lands owned by the state. In case of such lands, the cultivator is a state tenant and does not possess the right of alienation or transfer. It is also known as *al-'arḍ al ḥawz*, *al-'arḍ al-sulṭānīyah* or *al-'arḍ li-bait al-māl*. Main sources of these lands are: (i) conquest of foreign lands not occupied by anyone at the time of conquest; (ii) state accession of lands left by the heirless; (iii) *khumus* of the conquered lands; and (iv) lands conquered by storm and appropriated by head of the state to the *bait al-māl*.

al-'arḍ al-mawāt Those lands located away from habitation whose owners are not traceable or the lands, which were never occupied by anybody. Such lands become property of the person who develops and tills them. *Al-mawāt* do not include: (i) the common lands of a community, such as meadows, woods, fuel, etc.; (ii) the lands having known deposits of minerals such as salt, coaltar and petroleum and are required by the people at large; and (iii) the lands declared as state pastures (*ḥimā*). According to some jurists, for avoiding disputes, the person developing and possessing such lands must obtain permission from the state.

al-'arḍ al-mubāḥah Lands not owned or occupied by any identifiable person. Also known as *al-'arḍ ghair al-mamlūkah*. They are of three types: (i) the lands that provide common convenience to the inhabitants,

such as streets, roads, drains, graveyards, mosques, grazing fields, etc. and cannot be owned by any particular person nor can the state impose proprietary restrictions on their use; (ii) the lands, consisting of jungles, barren fields, mountains, etc. that do not provide any common convenience, are not arable and are not owned by any one; and (iii) the arable lands not owned by anyone, also known as *al-'arḍ li-bait al-māl*.

al-'arḍ al-mukhtaṣṣah The most fertile lands of fourteenth century Spain procured by the *sulṭān*. The agricultural proceeds were the property of the ruler.

'arḍ mulk '*Ushrī* lands in the Ottoman empire (AD 1300–1925).

'arḍ al-qunī Land watered from underground canals. Historically, tax on this land was lower than '*ushr*, since they involved investment in irrigation.

'arḍ al-saiḥ *Lit:* Lands irrigated by running water (of rivers and valleys). *Tech:* A category of land taxed most heavily since it involved the least human effort.

'arḍ al-sail *Lit:* Lands irrigated by rain-flooding. *Tech:* A category of land, taxed most heavily (like '*arḍ al-saiḥ*) because it involved the least human effort for irrigation.

'arḍ al-ṣulḥ Lands of a conquered country for which there exists a provision in the agreement of truce.

al-'arḍ al-sulṭānīyah See **al-'arḍ al-mamlakah**.

'arḍ al-timār A piece of land donated by the state to a person from out of heirless lands accessed to the *bait al-māl*. The donee gets right to the produce of land after paying for subsistence of the tillers. The ownership remains with the *bait al-māl*.

al-'arḍ al-'ushrīyah It refers to all lands owned by Muslims who pay *'ushr* on it. They include lands, whose owners convert to Islam; the lands of Arabian peninsula; and the lands conquered by the Muslims by fighting and the conquered lands distributed among soldiers of the Muslim army.

'arḍ al-waqf The land assigned to the welfare of the community either by the Islamic state, corporate bodies or by individuals. See also **al-ḥimā**.

al-'ārif *Lit:* Aware, cognizant, expert. *Tech:* The person who informs about *zakāh* beneficiaries. He is included in the category of *zakāh* workers (*'āmilīn*).

al-'ārīyah *Lit:* Borrowed. *Tech:* To allow another person receive benefit from one's property without any consideration. It is one of the customs of the Muslim society. People may borrow small articles of household goods from neighbours and relatives. The difference between *'arīyah* and *qarḍ* is that in the former case, the thing borrowed (which is always other than money) is to be returned in its original form, whereas in case of *qarḍ*, the loan can be, and is usually, returned in money of equivalent value.

al-'arīyah al-maḍmūnah Allowing someone to use one's property against surety or guarantee.

al-'arzāq Daily ration of wheat, barley and other foodgrains (including cloth) periodically distributed free among the people in the early days of Islam.

al-'aṣabah Relating to the law of inheritance, those relatives in whose line of relationship no female enters. There is no fixed share of the *'aṣabah* prescribed in the *Qur'ān*. If the deceased is not survived by any *dhawul-farā'id*, the whole of the property falls to the *'aṣabah*, otherwise the residue of the *dhawul-farā'id*. The *'aṣabāt* are the following relatives: (i) sons and daughters (grandsons/daughters in the absence of sons and daughters); (ii) father, grandfather and great-grandfather, if there is no

son, grandson, daughters and grand-daughters); (iii) in the absence of son, grandson, daughter, grand-daughter, father, grandfather, brother is an *'aṣabah* including sons and daughters of the brother if the brother is not alive; (iv) consanguine brother; if none of the above is alive; and (v) full paternal uncle, if there is no consanguine brother.

'asb al-faḥl A pre-Islamic practice of selling the services of a male animal to cover female animals. It was also known as *ḍirāb al-faḥl*, *ḍirāb al-jamal* or *shabr al-jamal*.

ASEAN swap arrangement Established in 1967, it has six members: Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. The main purpose is to provide short-term financing for meeting balance of payments difficulties of the participants. The size of the facility is US\$ 200 million and each member may be asked to contribute US\$ 40 million against a borrowing limit of US\$ 80 million.

'aṣḥāb al-maṭālib An institution of eighth century Egypt, guilds which worked in close collaboration with the official mint (*dār al-sikkah*) to uncover hoarded wealth of tombs and funeraries. One-fifth of such discoveries was credited to the *bait al-māl* as *khumus*. The hoarded gold from the tombs of Pharaohs was largely brought to circulation by the efforts of such guilds.

Asian Monetary Unit See ACU.

al-'āshir Collectors of custom duties and *zakāh* stationed by the state on the public roads.

ASIFI (Auditing Standard for Islamic Financial Institutions)
Auditing standards as approved by the AAOIFI, Bahrain.

al-'aṣl See *al-diwān*.

asset 'ijārah bonds See AIB.

al-‘aṭā’ Annual pensions distributed among the people from out of *bait al-māl* during the early days of Islam.

al-‘atharī Relating to the law of *‘ushr*, land exclusively irrigated by rainfall.

al-‘awāmil Relating to the law of *zakāh*, animals employed for work or for tilling of land.

Awqāf-i-Humāyun It was an Ottoman Empire (AD 1300–1925) institution. It referred to assignment of the crown lands or other forms of public revenue by the Sulṭān on a provisional long-term lease for the creation and support of religious institutions.

awqāf al-nuqūd *Lit:* Cash endowments. *Tech:* An institution prevalent in the Ottoman Empire from fifteenth century. It was a means of providing public services like education, health and other welfare activities. People with surplus funds would form a trust with their funds with the stipulation that the principal sum will remain intact and the return on it will be used for socially beneficial activities. The principal sum could be invested only on lawful activities like *muḍārabah*, joint ventures and could not be lent on interest. The ‘cash endowments’ were distinct from the commonly known endowments where an immovable property was usually subject of the endowment. Cash endowments became a channel for providing finance to those who needed it by the wealthy people.

al-‘awraj Relating to the ‘Abbāsīd (AD 750–945) fiscal administration, it was an official register used in the revenue department. It contained information about each individual tax payer regarding the tax assessed, collected and the balance payable. The register was divided in geographical zones so that the exact amount due from each tax agent (*jahbadh*) was known. As tax instalments came in, the amounts were recorded in *al-‘awāraj* and then transferred each day from a day-book (the *ruznāmaj*).

‘ayāh al-fai’ Verses 59: 6–10 of the *Qur’ān* relating to *fai’*.

'ayāh al-kayy Verses 9: 34–35 of the *Qur'ān* condemning accumulation of wealth.

'ayāh al-kanz Verses 9: 34–35 of the *Qur'ān* condemning accumulation of wealth.

'ayn al-yaqīn Knowledge acquired with certainty by perception and reported perception or observation.

AZIF (Awqāf Zakāh Investment Fund) A proposed financial institution to be registered as a *waqf* but operating as a profit-seeking corporate venture. The institution would channelize *zakāh* into long-term investments. The *zakāh*-collecting agencies will purchase shares in the AZIF. These shares will be negotiable and transferable. The *zakāh*-collecting agencies will distribute AZIF shares among beneficiaries of *zakāh*. The AZIF shareholders will be able to buy everyday needs from appointed stores against these shares. There will be a secondary market for these shares, if the shareholders want to liquidate them. The government guarantees the face value against any possible losses in investment. The AZIF will invest the funds into long-term investments and the holders of its shares will get a part of the profit or loss.

B

back-to-back 'istiṣnā' A form of double '*istiṣnā'* contract, where a company approaches an Islamic financial institution to provide finance for constructing a facility like a power plant. The financial institution agrees to provide the constructed facility on the basis of '*istiṣnā'*. It engages some engineering firm to construct the plant, again on the basis of '*istiṣnā'*. The difference between the price that the financial institution would pay to the engineering firm and the price that it would receive from the original buyer company would be its profit (or loss).

badal al-khuluw *Lit:* Compensation for getting a leased property vacated from the tenant. *Tech:* It has four possibilities: (i) The owner of a property agrees to pay a certain amount in lump sum over and above the monthly rent, which is usually a small amount. The lump sum is supposed to be rent of the property. In case the owner gets the property vacated prematurely, he has to return part of the lump sum. In such cases, total period of the lease is also determined before hand. This is considered lawful in the *sharī'ah*. (ii) The above agreement can take place about a property which is already leased but the agreement for *badal al-khuluw* takes place during the currency of the current lease. This is considered lawful in the *sharī'ah*. (iii) The agreement for *badal al-khuluw* takes place after the lease is expired. It is not lawful to enter in such an agreement as the lease agreement is already over and now the owner or the tenant cannot claim anything from each other. (iv) During the currency of the lease, the tenant, in agreement with the owner, sub-lets the property to another lessee and the new tenant agrees to pay some compensation to the owner and the old tenant. This is also covered by the *sharī'ah*. The system of *badal al-khuluw* is also known as *pagari* system in Indo-Pak subcontinent.

Bahrain Islamic Bank Incorporated on 7 March 1979, operations began on 22 November 1979. Authorized capital, BD 23 million; subscribed capital, BD 11.5 million; and paid-up capital, BD 5.75 million.

al-bai' *Lit:* A contract of sale. *Tech:* Sale of definite goods or property with the free consent of parties for a definite price. It involves proposal (*'ijāb*) and acceptance (*qabūl*). It has many types.

bai' al-'abd al-'ābiq Sale of a slave who has escaped his master. It was prohibited by the Prophet.

bai' 'ājilīn bi-'ājilīn *Lit:* Sale of something to be delivered later for a price to be paid immediately. *Tech:* It is an alternate term for **bai' al-salam**.

bai' 'ājilīn bi-'ājjilīn *Lit:* Sale of something to be delivered immediately for a price to be paid later. *Tech:* This is an alternate term for **bai' al-mu'ajjal**.

bai' 'ala al-bai' *Lit:* Sale over the sale of another person. *Tech:* Attempt of a third person to sell his produce while the sale deal is in the process of being concluded between two persons. The intention of the third person is to upset the bargain that is taking place. This is done usually by quoting a lower rate or pointing out defects in the goods being sold by the other seller.

bai' 'ala al-waṣf Sale on the basis of specifications, without showing the object of sale to the buyer.

bai' al-'amānah A sale whereby both parties express trust in each other. Examples: *bai' al-wafā*, *bai' al-talji'ah*, *bai' al-wadīyah*, *murābahah*, etc.

bai' al-'ariyah A sale deal of fruit-on-the trees (usually dates) in which some trees in the garden are not part of the sale deal but are donated by the owner to the poor who can exchange fresh fruit of these trees for dry fruit (dates) for their household consumption and not for further sale. This type of deal is an exception to the general law of sale which prohibits exchange of fresh fruit for dry fruit. It is also known as *bai' al-'arāyah*.

bai' al-'aṣnām Sale of idols, including earnings of a sculptor.

bai' al-bara'ah A contract of sale in which the buyer agrees to buy goods in whatever state they are, provided the seller assures that he is not aware of any defects in the goods. If subsequently, some defects are found, the seller is not made to pay any compensation except that the buyer shows that the seller was aware of the defects at the time of sale.

bai'atān fi bai'ah *Lit:* Two sales in one. *Tech:* A contract of sale in which a seller offers to sell something for a certain price on cash but for a higher price on credit. It also applies to a situation in which a person sells merchandise for a certain cash price on the condition that the buyer will sell it back to him at a higher price on credit. Thus, the first seller borrows a certain amount of money to be paid back with an increment (*ribā*) sometime later. It is one of the contrivances to legitimize *ribā*. It also

refers to a situation where a person offers to sell either one of the two things, without specifying any. It creates uncertainty in the deal.

bai' bil barnāmaj Sale of whole bales of goods on the basis of their description in an accompanying catalogue or list of contents (*barnāmaj*) without actually unfolding the goods. This was in vogue in Medina and other Islamic cities in the first century A.H.

al-bai' al-bāṭil An agreement of sale which is unlawful in respect of its substance and description. For example, an agreement of sale concluded by a lunatic or a minor is *bāṭil* since it does not possess substance of the agreement, which is the proposal and acceptance by a sane or major person. Similarly, an agreement to sell a dead body or alcohol is not lawful since it involves exchange of *māl* for something valueless (*ghair mutaqaawwam*). See also **al-bai' al-fāsid**.

bai' al-dain Sale of debt for cash. For being compatible with the *sharī'ah*, the sale must be at par value. This is being used by some Islamic banks for providing re-finance to some clients who have an existing interest-free loan in their assets. The Islamic banks provide cash on the basis of profit–loss sharing.

bai' al-dain bil dain *Lit:* Sale of a debt for a debt. *Tech:* A person agrees to sell a commodity to be delivered later for a price which he already owes to the intending buyer. Thus, both the price as well as the product are in the form of debt.

bai' ḍarbah al-ghā'iṣ A sales contract in which the buyer agrees to buy for a certain price whatever a diver will bring out from the bottom of the river or ocean.

bai' ḍirāb al-jamal Hiring of a camel to cover a she-camel.

al-bai' al-fāsid An agreement of sale that is lawful in its substance but unlawful in respect of its description. The substance of the agreement

refers to proposal, acceptance and the article of sale. The description refers to characteristics other than the substance, such as price of the article of sale. If an agreement of sale for a definite article is concluded by proposal and acceptance but the price is not settled, the agreement would be *fāsīd* although it is enforceable (*mun'aqad*) so far as its substance is concerned. See also **al-bai' al-bātil**.

bai' al-fulḍūlī An agreement of sale concluded by someone on the property of another without the permission of the latter.

bai' al-ghā'ib Sale of non-available or concealed goods. This type of contract falls in the general category of *bai' al-gharar*, since the object of sale is uncertain. The purchaser has the option to revoke the contract upon seeing the goods in question.

bai' al-gharar *Lit:* A sale involving risk. Aleatory sale. *Tech:* Sale of a thing that one does not have in one's possession nor does one expect to bring it under one's control, such as fish in the river or birds in the air. Possession is one of the basic conditions for a valid contract of sale. One cannot sell a thing which is not in one's possession; it involves risk for the buyer. *Bai' al-gharar* is also a general term for all such sale deals that do not specify the commodity of sale or price or time of sale or where the ability of the seller to deliver the commodity is absent.

bai' ḥabal al-ḥabalā A type of business transaction prevalent in pre-Islamic Arabia where the unborn child of a camel was sold while it was still in the womb of the she-camel.

bai' al-ḥādir li-bād *Lit:* Sale by the urbanite for the nomadic. *Tech:* A type of business practice in the days of the Prophet whereby some people worked as agents of the grain growers of the rural areas. These agents earned profit both from the seller and the buyer and often deprived the rural cultivator of his just profit and the urban buyer of a just price. The Prophet prohibited this type of arrangement, enabling the sellers and buyers to deal directly with one another.

bai' al-ḥaṣāh A type of business transaction in pre-Islamic Arabia where the contract was concluded by the buyer throwing pebbles towards the merchandise, the one hit by the pebble becoming the object sold.

bai' bi 'ilqā' al-ḥajar An alternate term for **bai' al-ḥāṣah**.

bai' al-'īnah A contract of sale where a person sells an article on credit and then buys back at a lesser price for cash. Example: A asks a loan of \$10 from B. Instead of asking for interest on this loan, B applies a contrivance. He sells an article to A for \$12 on credit and then buys back from him the same article for cash at \$10. A ends with a cash of \$10 and agrees to pay back \$12, as price of the article.

bai' 'istighlāl An alternate term for **bai' bil-wafā**.

bai' al-'istijrār A form of sale whereby the buyer keeps on taking the goods from the seller as and when needed with or without settling the price and then settles the account later on. Example: A person keeps on taking meat from a butcher as and when needed and pays him at the end of a month. Alternatively, it also applies to a situation where a person deposits the price in advance but receives the goods later on in instalments. Example: paying annual subscription of a journal in advance and receiving the journal on its publication.

bai' al-'ist'imān A contract of sale in which the sale price is settled by accepting unquestionably the statement of the seller (regarding cost, etc.).

bai' al-'istiṣnā' A contract of sale whereby the purchaser asks the seller to manufacture a specifically defined product using the seller's raw materials at a given price to be delivered at a specified place. The contractual agreement of '*istiṣnā'*' has a characteristic similar to *bai' al-salam* in that it provides for the sale of a product not available at the time of sale. It also has a characteristic similar to the ordinary sale in that the price may be paid at the time of delivery of the product. See also **back-to-back 'istiṣnā'**.

al-bai' al-jabarī *Lit:* Forced sale. *Tech:* A sale deal concluded forcibly against the free will of the owner of an asset, usually, to discharge an obligation of the owner (like paying of his overdue debt), or to remove harm from others (like sale of hoarded grains in times of general shortage), or to serve public interest (like widening of a passage to a mosque). Other common examples are: nationalization of private assets, appropriation of excessive land holdings for distribution among the landless or forcing a company to sell a certain extent of its shares to its employees or to the general public for improving distribution of wealth and incomes.

bai' al-juzāf The sale of goods that are unknown or undetermined as to their quantity, especially foodstuffs. Such a sale is considered invalid until the goods have been received by the purchaser.

bai' al-kālī bil kālī *Lit:* Postponement or delay in the payment of a debt. *Tech:* A type of credit sales in which on due date, the debtor seeks extension with the promise to pay something in addition to the original price. In fact, the amount of debt is sold to the debtor for some profit. Example: A person buys something on credit for a certain period and when the period of payment comes and he does not have enough to pay, he says to the creditor: 'Sell your debt to me on credit for a further period. I shall add such and such amount to it'. On this, the creditor sells the original debt to the same debtor for a higher price. The Prophet termed the increment on the original debt as *ribā*.

bai' al-khamr Sale of alcoholic drinks. It includes preparation, filtration, carriage, storage and all allied activities, including sale of containers and utensils of alcoholic drinks.

bai' al-khiyār Conditional sale. A sales contract that provides an option to the buyer to annul the deal. See **al-khiyār**.

bai' al-laban fi ḍuru' al-'an'ām Sale of milk in the udders of the animals. This is allowed only if the milk is measured after milking and the price is charged for actual quantity of the milk.

al-bai' li-'ājal *Lit:* Deferred sale scheme. *Tech:* A method of instalment sales adopted by some Islamic banks. According to this, the bank arranges to provide an asset on credit, the credit price being higher than the cash price, but the ownership of the asset is passed on to the client immediately. The bank agrees to receive back its money in instalments. There is no recourse to the bank if the client defaults.

bai' al-mā' *Lit:* Sale of water. *Tech:* Sale of surplus water of a natural source such as river, spring, canal, etc.

al-bai' al-mabrūr A sales contract that has no concealment of facts, dishonesty or doubt.

bai' al-maḍāmīn *Lit:* Sale of the contents. *Tech:* A sales contract in which a package is sold without specifying the contents.

al-bai' al-maḍmūn A guaranteed sale with respect to commodity, price, quantity, quality, place and time of delivery. Often used for *bai' al-salam*.

bai' al-ma'dūm Sale of non-available goods. This type of contract is not valid in the Islamic commercial law.

bai' al-maghānim ḥatta tuqsam Sale of undivided booty. It was prohibited by the Prophet.

bai' al-maḥāwīj *Lit:* Sale of the needy. *Tech:* Denotes a situation where the buyer and the seller are in urgent need of each others' possession. For example, if the buyer needs wheat urgently and the seller is also in need of money they enter into a sale contract.

bai' al-malāqīh Sale of the embryo or sale of what is in the womb of the female.

al-bai' al-mawqūf An agreement of sale that is lawful in substance and description, but is concluded with the consent of a third party who does

not have an absolute right of ownership over the property of the buyer or the seller. For example, *bai' al-fuḍūlī*.

al-bai' al-mu'ajjal *Lit:* A credit sale. *Tech:* A financing technique adopted by Islamic banks. It is a contract in which the seller allows the buyer to pay the price of a commodity at a future date in lump sum or in instalments. The price fixed for the commodity in such a transaction can be the same as the spot price or higher or lower than the spot price.

bai' mu'ajjal-based tradeable securities A proposed financial instrument for government finance. The government can issue these securities for any purchases, prices for which have to be paid over a period of time. The seller of the product would add his profit and other costs in the price. The securities would have an amortization schedule. Each instalment would be paid by the government on its due date. The holder of the security would surrender the relevant coupon for claiming the payment. The securities can be made transferable or tradeable at the stock exchange. The discounted price of the securities would be equal to the face value minus any collection costs at the transferee's end and any income foregone on tied funds. The essential conditions are: (i) the transferor cannot re-purchase the securities directly or indirectly; and (ii) in case the actual payment is not made, the holder of the security should have a right of recourse on the original transferor.

bai' al-mu'aṭāh See **bai' al-ta'āfī**.

bai' al-mubādalah Exchange of *dirhams* and *dinārs* by measuring their quantities rather than by counting.

bai' al-muḍṭar A sale deal where the seller is under some sort of duress to sell the commodity.

bai' al-muḥāqalah A business transaction whereby grains in ears are sold for dry grain.

bai' al-mukhāṭarah An alternate term for **bai' al-gharar**.

bai' al-mulāmasah A form of sale prevalent in the days of the Prophet in which the buyer or the seller used to touch a piece of cloth and this very act of touching finalized the deal.

bai' al-munābadhah A contract of sale prevalent in the days of the Prophet in which the seller or the buyer would throw a piece of cloth towards the other and this very act of throwing finalized the deal.

al-bai' al-mun'aqad *Lit:* An enforceable contract of sale. *Tech:* A contract to exchange things of value (*māl*) when one party proposes and the other accepts it. It can be of four types: *ṣaḥiḥ*, *fāsid*, *nāfidh* or *mawqūf*.

bai' al-muqāyaḍah Selling a commodity for another commodity. Barter exchange.

bai' al-murābaḥah Sale of goods with an agreed upon profit mark up on the cost. In its original concept it was a cash transaction with the intention of sparing the buyer the trouble of investigating the genuineness of the price. The buyer would offer to sell the product at a certain price over and above his purchase price. But it has been developed into a financing technique by the present day Islamic banks. As practised by the Islamic banks, the *murābaḥah* sale is of two types. In the first type, the Islamic bank purchases the goods and makes them available for sale without any prior promise from a customer to purchase it. In the second type, the Islamic bank purchases the goods ordered by a customer from a third party and then sells these goods to the same customer. In the latter case, the Islamic bank purchases the goods only after the customer has made a promise to purchase them from the bank. See also, **financial murābaḥah** and **credit murābaḥah**.

bai' al-murāwaḍah See **bai' al-muwāṣafah**.

bai' al-musāwamah *Lit:* Haggling, bargaining. *Tech:* Sale of goods at a price on which the buyer and seller agree after haggling without mentioning the cost to the seller.

bai' al-muskān An alternate term for **bai' al-'urbān**.

bai' mutājjarah *Lit:* Credit sale. *Tech:* A type of contract being used by the Islamic banks to sell goods on credit to a third party. The goods are selected by the third party. The price and payment terms are agreed in advance. It is a type of *al-bai' al-mu'ajjal*.

al-bai' al-muṭlaq *Lit:* Sale in general. *Tech:* An agreement of sale, cash or credit, in general without (mentioning) any condition.

bai' al-muwāṣafah Sale of goods that has not been possessed, or sale of goods by describing them without any inspection and possession, the delivery being made later, after the vendor himself had bought them. In this mode of bargaining, the commodity is not present. It is also known as *bai' al-murāwaḍah*. This is one of the type of *bai' al-gharar*.

bai' al-muzābanah Exchange of fresh fruits for dry ones in a way that the quantity of the dry fruit is actually measured and fixed but the quantity of the fresh fruit to be given in exchange is guessed while it is still on trees.

bai' al-muzāyahadah *Lit:* A public sale through auction in which the deal is struck with the highest bidder. *Tech:* A form of sale of a merchandise in which more than one seller is interested, and before the deal is finalized some of the prospective customers start bidding up the price without the intention of buying it.

al-bai' al-nāfidh A contract of sale that does not involve any right of the third party. It is of two types: *lāzim* (binding) and *ghair lāzim* (non-binding). The *lāzim* is a contract of sale that has no options (to rescind) for any of the parties and the *ghair lāzim* is a contract of sale that may have at least one option for any of the parties.

bai' al-najash See **al-tanājush**.

al-bai' al-nājiz *Lit:* Completed, full, total, whole. *Tech:* Spot sale for cash where the sale transaction is completed immediately.

bai' bil nasī'ah Credit sale with a fixed term to pay the agreed price. This method of *bai' bil nasī'ah* usually resulted in *ribā* in the pre-Islamic days and caused multiplication of the original price if not paid back at the stipulated time.

al-bai' al-qaṭī A contract of sale that is final and binding in all respects.

bai' al-qīmah *Lit:* Sale of the real value of the goods. *Tech:* Sale through a broker by asking him to realize a certain minimum price and allowing him to keep anything over and above that price.

al-bai' bil raqam A sales contract prevalent in pre-Islamic Arabia in which the merchandise was sold with reference to a certain mark or sign on it without the buyer knowing its exact quantity.

bai' al-ṣadaqah ḥatta tuqbaḍ Sale or purchase of gifts before they had been accepted. The Prophet prohibited this type of sale.

al-bai' al-ṣaḥīḥ A contract of sale that is lawful in its substance and description. The substance of an agreement refers to *proposal*, *acceptance* and the *article* of sale (*mabī'*).

bai' al-salaf An alternate term for **bai' al-salam**.

bai' al-salam A sale agreement that involves advance payment for goods that are to be delivered later. According to the general law, no sale can be affected unless the goods are in existence at the time of the bargain, but this sort of sale forms an exception to the general rule provided the goods are defined, price is paid in advance and the date of delivery is fixed. The objects of this sale are mostly fungible things and cannot be gold or silver because they are regarded as monetary values. Barring this, *bai' al-salam*

covers almost all things that are capable of being definitely described as to quantity, quality and workmanship. One of the conditions of this contract is advance payment; the parties cannot reserve their option of rescinding it but the option of revoking it on account of a defect in the subject matter is allowed. It is also applied to a mode of financing adopted by Islamic banks. It is usually applied in the agricultural sector where the bank advances money for various inputs to receive a share in the crop (that the bank sells in the market). See also, **parallel salam**.

bai' al-samak fil mā' Sale of fish in the water. It is type of *bai' gharar*.

bai' al-ṣarf Sale of a monetary value for monetary value. Exchange of currencies.

bai' al-ṣikak *Lit:* Sale through documents. *Tech:* To buy certain goods without taking possession except through transferring of papers of entitlement. This was common in the early days of Islam and is also prevalent in the modern times in future markets. Sale deals are concluded without physical possession of goods from one party to the other, from second to third, from third to fourth and so on. At each stage margins are added or subtracted without adding any utility to the products. They are all covered under *bai' al-ṣikak*. Similarly, selling only licences and permits issued by the government is also covered by this.

bai' al-sinīn An alternate term for **al-mu 'āwamah**.

bai' al-sirār It is a pre-Islam sale transaction that worked as follows. One person says to the other: 'I will put forth my hand and you shall put forth your hand, and if I produce my signet-ring before you, it is sold to you for such a price; and if you produce your signet-ring before me, it is sold to me for such a price'. If they both produce or both of them do not produce, they will do it again until only one of them produces the signet-ring and the deal is concluded. It was a type of *gharar* transaction.

bai' al-ṣubrah A form of sales contract in which a heap of food grains (or any other commodity) is sold without measuring or weighing.

bai' al-sulfah An alternate term for **bai' al-salam**.

al-bai' al-ṣūrī An alternate term for **bai' al-talj'iah**.

al-bai' bil tākhīr A contract of sale in which the payment has been deferred.

bai' al-talj'iah *Lit:* A sales contract that is contrary to what it appears.

Tech: It is a simulated sale in which the seller pretends to have sold his property when in fact he has not. For example, a person may show that he has sold his property to his son so that the state may not confiscate it. In recent times, this phenomenon was observed when in certain Muslim states the feudal lords transferred their lands to their relatives to avoid confiscation under land reforms regulations. It also refers to delaying tactics of a defaulting debtor in which he transfers his property or assets apparently to a third party for fear of creditors claiming a right on those assets against their debts. In fact, the assets are not transferred to anyone but it is posed as if they have been transferred. The third party whose name is used is also made to testify such a transfer though the claim is untrue.

bai' al-ta'āṭī A sales contract whereby the buyer picks up the goods and the seller accepts the price without any explicit bargain. It is also termed as *bai' al-mu'aṭāh*.

bai' al-tawfīyah A contract of sale in which the seller agrees to sell a product at his cost.

bai' bi thaman al-'ājil *Lit:* Sale with deferred payment. *Tech:* A sale deal in which a person sells an article for cash but buys it back on deferred payment for a higher price. Thus, he gets cash immediately which he has to repay with an increment later. This is one of the many subterfuges to circumvent interest.

bai' al-thimār Sale of fruit on tree or sale of fruit-trees with or without fruit on them.

bai' al-thunyā' *Lit:* A sale with an exception. *Tech:* Selling some goods with the condition that a part of them, not precisely defined, will not be included in the sale. For example, the seller says: 'I sell the dates of this garden for such and such price except the dates which young people pick up for eating'. The condition has made the quantity of dates uncertain. This is a type of *gharar* transaction.

bai' al-'urbān It is getting a thing against a nominal advance on the condition that if the bargain is struck, the advance will be adjusted and if the bargain is canceled, the seller will not return the advance. The advance being nominal, the buyer has practically no liability. He will abide by the contract if he finds it advantageous to him and will withdraw if it is otherwise. The modern day options contracts in the stock exchange are covered by *bai' al-'urbān*.

bai' al-uṣūl Sale of land, houses, orchards or any other form of real estate.

bai' wa salaf *Lit:* Selling and lending. *Tech:* A sales transaction in which a seller says: 'I shall sell you this product for such and such price if you lend me so much money'. This is not allowed in the *sharī'ah* as it can conceal interest in the sale price.

bai' wa shart *Lit:* A sale with a condition. *Tech:* A sales contract in which an unusual condition is added to give an extra or undue benefit to the seller or to the buyer. The Prophet has prohibited such sales.

bai' al-waḍ'īyah A sales contract in which a seller informs the buyer his actual cost and then gives a further discount on it. Thus, it is a sale at a loss.

bai' bil-wafā A sales agreement in which the buyer agrees to return the goods at the same price once the agreement is concluded. It is permissible if the clause for returning the goods is not instituted beforehand. But if the said clause is the essence of the contract, the agreement becomes void.

bai'ah A measure of weight in Makkah of the Mamlūk (AD 1260–1517) period to measure hides and skins. Equal to 97.5 kg.

bait al-ḍawā' *Lit:* House of lost goods. *Tech:* Historically, a department of the Muslim public treasury that held things lost by their owners and found by someone else, waiting for the owner to claim them. The things held in this department were kept for sometime and, if no one claimed them, were credited to public treasury for final utilization in public interest.

bait al-māl *Lit:* Public treasury. *Tech:* An institution of early and medieval Islam, it functioned as the central bank of the state, state insurance company and controller of domestic and foreign trade. The *bait al-māl* had two main categories: *bait al-māl al-'āmmah*, the general revenues of the state and *bait al-māl al-khāṣṣah*, revenues accruing to the ruler from crown domains (*ḍiyāh al-khāṣṣah*). The *khalīfah* or his *wazīr* would re-appropriate funds from one head of account of the *bait al-māl* to the other. The *diwān bait al-māl* kept the accounts and was subject to audit by *diwān al-zimam*. The head of *bait al-māl* was known as *ṣāhib bait al-māl*. The *ṣāhib* had the right to inspect *diwān al-kharāj*. Besides central *bait al-māl*, there were *buyut al-amwal* at the provinces. The *khāzin* (treasurer) connected to the *bait al-māl* was responsible for taxes paid in kind and stored at other financial centres.

bait al-māl al-'āmmah See **bait al-māl**.

bait al-māl al-khāṣṣah Historically, private treasury of the Muslim caliphs to cover their personal, family and executive expenditures.

bait māl al-muslimīn Public treasury of the Muslims for collecting and disbursing charity and *waqf* funds. Usually, it was administered by the chief judge (*qāḍī*) of the state. The funds were kept in the mosque under safe custody. The chief judge was responsible for administering these funds strictly in accordance with the *sharī'ah*.

Bait al-Māl wa al-Tamwīl See **BMT**.

al-bakhs *Lit:* Too little, too low, very low (price). *Tech:* Qur'ānic term for exploitative decrement in value to others by traders in contracts of sale. The people of Madyan during the life-time of Prophet Shu'aib used to exploit the strangers by colluding with each other and declaring genuine money (coins) of the strangers as false or spurious. The stranger would, thus, sell those coins to them at a low price. Thus, they would deprive the ignorant stranger by collusion and deceit.

al-b'al Relating to the law of *'ushr*, trees which fetch their moisture from land (without any rainfall). *'Ushr* is levied on the produce of these trees. See **'arḍ al-b'al**.

Bank Bumi-Muamalat Malaysia Berhad Second Islamic bank of Malaysia that came into being in October 1999 by the merger of Bank of Commerce and Bank Bumiputra.

al-baqarah al-muthīrah Relating to the law of *zakāh*, a cow or bull engaged in tilling of land.

bar'ā Pertaining to the fiscal administration of the 'Abbāsids (AD 750–974), it referred to the official acknowledgement of the receipt of tax paid by an individual into the royal treasury. The *bar'ā* was issued by the *jahbadh*.

al-barakah *Lit:* Blessings. *Tech:* God's blessing or bounty in relation to one's worldly pursuits. It refers to qualitative growth in one's possessions. The notion refers to an invisible but concrete blessing resulting from a person's conduct including, and most importantly, his economic behaviour. The concept maintains that righteous conduct will lead to returns higher than those expected from calculations based on material factors only. For example, the concept asserts that spending one's wealth in the cause of Allah will not lead to diminution but to its expansion due to *barakah*. Such actions will, in fact, return to the giver some multiple of his original expenditure. The concept establishes a positive correlation between a person's conduct and prosperity. It encourages Muslims to go beyond the minimum requirements of the *sharī'ah* in pleasing Allah. The converse of the concept holds as well. An unrighteous conduct, in earning, possessing or disposing of wealth, will rob the wealth of *barakah*.

al-Baraka Banking Group Established by the al-Baraka Group, had banking license from Bahrain Monetary Agency. With shareholding of 15 other Islamic banks worldwide, it is the largest Islamic banking group. Its total assets were estimated at US\$ 4 billion at the end of 1998. See **ABID**.

al-Baraka Islamic Investment Bank Bahrain Incorporated on 21 February 1984 as a Bahraini Shareholding Closed Company. Authorized capital, US\$ 200 million; paid-up capital, US\$ 50 million. The company has its head office in Bahrain, four branches in Pakistan and a representative office in Indonesia.

al-barīd *Lit:* Mail or post. *Tech:* A measure of distance equivalent to 4 *farasikh*, 4800 *dhir'a* or 22.176 km. Also used for the beast of burden that carried mail and for the postman who used to ride that animal.

barrānī See **'iltizām**.

al-bāṭil *Lit:* Futile, false, vain, invalid, void. *Tech:* A juristic expression about something that is unlawful in substance as well as in description (*waṣf*). The Ḥanafīte jurists distinguish between *bāṭil* and *fāsid*, the latter denoting something which is not inherently void but has conditions or characteristics which make it void. Other jurists do not distinguish between *bāṭil* and *fāsid*.

baṭṭah A measure of volume used in Makkah during the eighth and ninth centuries of *hijrah* for measuring flour. Equal to 22.5 litres.

bazārī Iranian term for a traditional merchant. The *bazārīs* turned out to be an influential class after the Islamic revolution in 1979. They influenced the economic policies of the government significantly.

al-bāzil Relating to exemption limit (*niṣāb*) for *zakāh*, a camel that has reached the eighth year and entered into the ninth year.

benevolent bonds A proposed financial instrument for raising funds by the government on a voluntary basis from the public. The government may ask people to buy these bonds for the love of their country or due to religious zeal in the hope of getting a reward in the hereafter.

al-biḍā'ah A form of quasi-agency in medieval trading. It involved a merchant who, unable personally to attend to a business affair, handed over some of his property to another party for the latter to take care of it for him. Upon completion of his task, the outside party, without receiving any commission, profit or compensation in any other form returned the proceeds of the transaction to the merchant whose bidding he had done. All parties to a partnership or *muḍārabah* contract were endowed with the right to exercise this practice freely because it was one of the accompaniments of trade. It was often practised on reciprocal basis by merchants for each other.

BIMB (Bank Islam Malaysia Berhad) First Islamic bank of Malaysia, was established on 1 July 1983 with an authorized capital of M\$ 500 million and paid-up capital of M\$ 80 million. The Government of Malaysia contributed 37.5 per cent of the paid-up capital. Other shareholders include Pilgrims' Management Fund Board, Muslim Welfare Organization of Malaysia, State Religious Council, state religious agencies and other federal agencies. The bank offers four types of account: current account, saving account, investment account and special investment account. The current accounts are operated on the principle of *wadī'ah* with no entitlement to profit. The saving deposits are accepted under the same principle with the distribution of profit at the discretion of the bank. The investment accounts are operated on the principle of *muḍārabah*, with the bank sharing 30 per cent of the profit. In case of loss, the depositor has to pick all the loss. The bank provides project financing on the principles of *murābahah*, *bai' bithaman 'ājil* (deferred sale), *'ijārah* (leasing) and *qard ḥasan* (interest-free loans).

BIMB Securities An Islamic stock-broking firm launched by the Bank Islam Malaysia Berhad in 1994. The main purpose of the firm is to provide facilities and services in the security industry, which are in compliance with the *sharī'ah*. The counters offered by BIMB Securities exclude the companies that exclusively deal with the interest-based

banking and finance, conventional insurance, gambling, alcoholic beverages and other non-*ḥalāl* products.

bint labūn Relating to exemption limit (*niṣāb*) for *zakāh*, a she-camel in her third year.

bint makhād Relating to exemption limit (*niṣāb*) for *zakāh*, a she-camel in her second year.

al-birr *Lit:* Reverence, piety, kindness, charitable gift. *Tech:* To be generous in mutual relationships. See also, **al-'iḥsān**.

BMC (Bon Mudharabah Cagmas) See **Islamic housing debt securitization scheme**.

BMT (Bait al-Māl wa al-Tamwīl) A movement to help small traders in Indonesia. Started in 1994, it is a non-governmental organization that operates like a cooperative bank. It focuses on very small business entities such as petty traders and hawkers who are too small to be bankable for a bank. In 1997, there were about 900 BMTs in Indonesia.

borrowing ratio Used in the model of Islamic banking based on *muḍārabah*, it is ratio of interest-free loans given by central bank to member banks and interest-free loans of the member banks to the public.

BRP (bankers ratio of profit-sharing) Percentage share of profit due to financier in the profit of an enterprise financed on the basis of *muḍārabah* or *mushārah*.

business angels Spoken with reference to venture capital, they are investors having experience in certain industries and who are willing to invest actively in start-ups and small enterprises.

buy-back A mode of financing adopted by banks in Pakistan. According to this mode, the bank purchases goods, equipment or property for the client with the agreement that the client would buy it back from the bank at a higher price, to be paid later by the client.

C

Cairo Geniza See **Geniza**.

CAMU (The Central African Monetary Union) Established in 1972, consists of five members of which Cameroon, Gabon and Chad are OIC members. Other members are Central African Republic and Republic of Congo. It uses CFA franc as a common currency, which are issued by the Bank of the Central African States.

capital contributions Relating to an Islamic Fund, they are additional funds collected from investors in the fund to finance needs that may arise in the future as the fund manager considers appropriate. New shares/units are not issued in exchange of these capital contributions.

capital transactions With reference to an Islamic Fund, they include the sale of units/shares, and the number of units/shares issued on reinvestment of distributions/dividends less the value of units/shares returned.

CDs (central deposits) One of the proposed monetary policy tools for the Islamic economy. The central bank may open investment accounts in member banks in which it deposits whatever money it creates and from which it withdraws whatever money it retires. Member banks may invest these deposits in the real sector in accordance with the investment policy of each bank. Profits earned on such deposits may be used to cover the cost of central bank operations. Such deposits, termed as CDs or central deposits, may be used both as a tool of monetary policy and a means of

financial intermediation. The central bank may create an instrument which could be termed as 'central deposit certificate' or CDC. The CDCs may be invested in CDs throughout the banking system. The rate of return on the CDCs will approach the average rate of profit on investment for the whole economy. The central bank may keep CDs in foreign exchange with member banks, should it have a surplus of foreign exchange. The central bank may issue CDCs denominated in foreign currencies. The proceeds of foreign exchange thus collected may be invested through member banks. These may be utilized to meet foreign exchange requirements. The central bank may use CDs to supply domestic currency in return for foreign exchange earnings of the residents. This would keep the nominal supply of money from increasing beyond the desired level.

CDCs (central deposit certificates) A proposed instrument of Islamic banking. The certificate is offered by the central bank to the general public and it denominates deposits with the central bank. The central bank will invest these with all member banks, which makes it the most diversified investment in the economy. Since it involves two layers of financial intermediation, namely, member banks and the central bank, it would be the safest instrument available.

CLCs (central lending certificates) One of the proposed tools of monetary policy of the Islamic economy. The central bank may issue CLCs which carry no return, but are guaranteed to be paid on maturity. This would be a medium for the public to extend their funds as *qard ḥasan* to the government with altruistic motives. Proceeds of CLCs may be made available to member banks, which would lend them to borrowers after proper assessment of future income and application of social criteria if rationing is required.

certificate of mushārakah An Islamic financial instrument approved by the Corporate Law Authority of Pakistan in April 1995. The *muḍārabah* companies, which had the permission to issue these certificates, could do so to collect funds from general public for subsequent investment. These certificates could be purchased over the counter (OTC) from the issuing companies as well from stock exchange. The Corporate Law Authority has published regulations to oversee the operations of the issuing companies.

COMCEC (The Standing Committee for Commercial and Economic Cooperation of the OIC) Founded in 1981 in Ṭā'if (Saudi Arabia) as an organ of the OIC, COMCEC works for the Summit Conference of the OIC, held every 3 years.

commenda *Lit: Muḍārabah. Tech:* The orientalist use the term *commenda* interchangeably with *muḍārabah*.

commingled muḍārābah Relating to Islamic banks, a form of *muḍārabah* in which a bank accepts funds for investment and contributes its own funds as well. The profit and loss are shared in agreed proportions and the bank also receives a share of the profit from out of the share of investors for its role as *muḍārib*. See also **non-commingled muḍārābah**.

commodity linked notes and bonds A proposed financial instrument for Islamic financial market. This instrument is ideal for raising capital by enterprises whose revenues are dependent on a particular commodity. Example: An oil refiner buys crude oil in spot market and intends to sell it after processing as refined products. An investor enters into agreement with the refiner to provide funds for buying a specified number of barrels of crude oil on the spot. In return, the investor will get periodic returns based on an index of representative refined oil products prices or the spread between crude and refined oil products and a pre-defined deduction for the processing cost of the crude. At maturity of the contract, the investor will receive its principal back. The borrower can benefit by reducing the cost of processing and the investor can benefit from a wider spread between crude and refined oil. Commodity bonds can be introduced in different flavours. Principal amount of the bond will always have to be stated in terms of a commodity. Coupon can be linked to an index of a commodity or a basket of commodity prices. For an index to be permissible under the *shari'ah*, it must be an index of the specific trades. For example, in the case of grains it must be an index of the specific grains in the contract; for real estate, it must be an index of the real estate in question and cannot be a general or representative real estate index.

commodity-muḍārābah A contract of *muḍārabah* wherein the owner of capital provides capital in the form of stock-in-trade (*'urūd*) and not cash.

commodity price swap A proposed arrangement for Islamic financial market involving swap of commodities. A basic commodity price swap entails two counterparties exchanging cash flows at various points in time, with specifics agreed in advance. In the standard case, the two counterparties agree to periodically exchange a given quantity of a commodity for a specified period of time. Example: An airline company wants to achieve more certainty in its cost of fuel and at the same time an oil refiner would like to position itself to get fixed revenues. Both can enter into swap agreement via an Islamic bank who facilitates the agreement. Oil refiner: the oil refiner goes to a swap arranger, the Islamic bank, who pays the refiner a fixed price over a period of time and, in return, the refiner pays the bank the average market price (spot) for the refined oil products. Over the same period of time, the oil refiner sells refined oil products in market at spot prices. Airline company: the airline company with an objective of fixing the cost of fuel goes to the Islamic bank and arranges a swap. The company pays the Islamic bank its predetermined price over the same period of time and receives an average market (spot) price from the bank. The airline company continues purchasing the fuel from oil market at the prevailing spot price. Swap arrangement: The Islamic bank receives a fixed price from the airline company and passes it on to the refiner. During the same period, it receives average (spot) price from the refiner which it passes on to the airline company. The airline company and the oil refiner have locked in prices at their desired level since any gains or losses in the spot market will be offset by gains and losses in the swap arrangement. The Islamic bank earns fees and also makes a profit equal to differences between the refiner's target price and airline company's target price.

consecutive partnership formula It is a formula adopted by the Islamic banks for calculating profit-loss shares of depositors. Consecutive partnership formula considers depositors of one financial year as partners in the proceeds of that financial year, regardless of matching between the periods of projects in which their funds were used. Even some proceeds pending from previous years, for which accruals or provisions were made are included in the proceeds of the year in question. On the other hand, some yields corresponding to the said financial year are excluded, if they are not yet due, and left out for a future year.

constant mushārahah It is a *mushārahah* in which the proportionate shares of partners in the equity remain unchanged within the currency of the agreement. See also **diminishing mushārahah**.

credit murābahah A sale agreement on the basis of mark-up over the purchase price of the seller with the condition that the buyer will pay the sale price in future. This is an innovation of the present day business community over the original concept of *bai' al-murābahah*, where the sale used to be a cash transaction only. See also financial **murābahah**.

credit risk Credit risk involves the risk that a counter-party to a contractual obligation, be it *murābahah*, *muḍārabah*, *'ijārah*, *qarḍ ḥasan*, *'ijārah wa 'iqṭinā'* or *shirkah*, would default on the promised date of payment.

D

ḍ'ā wa ta'ajjil *Lit:* Reduce and pay soon. *Tech:* A principle of credit trade in vogue among Arabs of the sixth century in which a debtor was given the option of getting a reduction in debt, provided he agreed to pay cash immediately. A varied form of this is known as cash discount these days. This practice was prohibited by Islam, being tantamount to *ribā*.

daftar al-mufradāt Pertaining to the fiscal administration of the 'Abbāsids (AD 750–945), it referred to a register that contained financial information according to city, district and province.

daftar al-yaumīyah *Lit:* Day book. *Tech:* Pertaining to the fiscal administration of the 'Abbāsids (AD 750–945) an accounting ledger, similar to general journal of the present day. It contained all miscellaneous transactions of income and expenditure, other than those for which separate ledgers were maintained (see **jarīdah**). The entries in this journal were subject to an authority known as *al-shāhed*, very much like a journal voucher of the present day. *Al-shāhed* was approved by a competent authority before the accounts clerk would enter it into the register.

al-ḍai'ah Estates belonging to the crown or to private owners. In contradistinction to private estates, the crown estates were also called *ḍai'ah*

al-sultān or *ḍai'ah al-khalīfah*. These consisted of: (i) confiscated estates; (ii) the property left by a deceased who had a heir; and (iii) estates that had been purchased.

ḍai'ah al-khalīfah See **al-ḍai'ah**.

ḍai'ah al-khāṣṣah Also known as *ḍai'ah al-mustakhliṣah*, they were private estates belonging to the crown. The income from them accrued to the *bait al-māl al-khāṣṣah*.

ḍai'ah al-mustakhliṣah See **ḍai'ah al-khāṣṣah**.

ḍiyā al-sultān See **al-ḍai'ah**.

al-dain *Lit:* debt, liability. *Tech:* It is a liability created by a contract, expenditure or debt. *Al-dain* has a definite term fixed for repayment as distinguished from *al-qarḍ*, which does not have a fixed term for maturity.

al-dain al-ḍa'īf A debt that has accrued without the exchange of any tangible asset. Unpaid wages of the worker, undistributed inheritance and provident funds deducted at source are some of the examples.

dain ghair marjū' al-'adā' See **dain marjū' al-'adā'**.

dain marjū' al-'adā' Relating to the law of *zakāh*, it refers to a good debt, expected to be returned by the debtor as against a bad or doubtful debt (*dain ghair marjū' al-adā'*). It is also known as *dain thābit*.

al-dain al-mu'ajjal *Lit:* Deferred debt. *Tech:* Debt prevalent in the pre-Islamic days, with the stipulation for increasing the debt against an extension in the period of repayment.

al-dain al-mustaghriq Claims against an estate that exceed or equal its value.

al-dain al-muṭlaq A debt not bound to the life of a person.

al-dain al-qawī A debt that has accrued as a result of exchange of a tangible asset such as a cash loan or sale of goods or services.

al-dain al-thābit See **dain marjū’ al-’adā’**.

al-dālīyah Relating to the law of *zakāh*, it refers to a small bucket tied to the cattle working on a well to irrigate land. Half *‘ushr* (5 per cent) is levied on lands irrigated by *al-dālīyah*. It is also known as *al-nā’ūrah*.

Dallah al-Baraka Group Dallah al-Barakah Group started off in 1969 as a modest construction company in Saudi Arabia. It had grown to be a conglomerate of over 300 companies and had, by the end of 1997, assets worth US\$ 7 billion. It launched al-Baraka Investment and Development Company (ABID) in 1982.

al-ḍamān *Lit:* Responsibility, guarantee, warranty, surety. *Tech:* Surety against and responsibility for all insurable risks as well as uncertainty. The *sharī’ah* has made the responsibility of the entrepreneur to cover all these risks since he is the one who is entitled to the profit. There cannot accrue any lawful profit to someone who refuses to accept these risks.

ḍamān al-darak Surety by the seller against any defect in the title of the property.

ḍamān ‘ala khaṭar al-ṭarīq An agreement whereby a person undertakes to indemnify another person if the latter suffers a loss during a journey, provided that the traveller undertakes the journey on the same route as identified by the indemnifier.

ḍamān al-khusrān *Lit:* Surety for loss. *Tech:* Standing surety for someone's loss in a business. An application has been made of this principle in the case of *ribā*-free banking. The state can hold out a guarantee to the depositors of a *ribā*-free bank to make good any loss in the deposits through *muḍārabah* or *mushārah* with the bank.

ḍamān al-naqṣ *Lit:* Liability for making up any loss. *Tech:* It relates, generally, to contract for demand deposits in Islamic banking. The Islamic bank is liable to make up any deficiency in the demand deposits. But in case of investment deposits as well, the bank is liable to make up the loss in case the loss occurs due to violation of terms of the agreement or negligence by the bank.

ḍamān al-talaf Guarantee to make good any loss that may occur to the property of someone while in safe custody of the guarantor. The term has been applied in the model of *ribā*-free banking where the bank guarantees demand deposits against any loss.

ḍamān al-t'arrud Surety by the seller to the purchaser against any dispute about the property by a third party or by the seller himself.

al-dāniq *Lit:* An ancient coin, a small coin. *Tech:* A coin of silver equal to eight grains of barley or 0.496 g.

dār al-'ahd Lands over which there is a peace treaty between the Muslims and the non-Muslims.

dār al-arqam A sufi movement of Malaysia, founded in 1968 by Ustaz Asha'arī Muḥammad with the primary objective of reviving Islamic faith among the Muslims. Later, the movement started a comprehensive programme of rural development. By 1992, it had established 40 villages of its own where its members lived and carried out various socioeconomic activities on mutual help basis. The movement had an economic programme by which its members and sympathizers operated various small scale industries, business enterprises and services. The movement had a rigorous programme of spiritual training. By 1992, it had branches in

15 other countries. It published several magazines and disseminated its message through audio–video cassettes. It had its own computer centre. Its programme included social activities as well as entertainment within the Islamic framework. Its members wear a distinct dress and follow the Islamic code of behaviour in letter and spirit. It was banned by the Malaysian government in 1998.

dār al-ḥarb Historically, the country of those non-Muslims who had declared war against the Muslims.

dār al-Islam Historically, the country where the Muslims were in majority and lived according to the Islamic principles.

Dār al-Māl al-Islami See **DMI**.

dār al-mānak In Fatimid Cairo (AD 969–1171), a centre for collection of tolls and taxes.

dār al-tirāz Royal textile factories of the medieval Islamic era.

al-ḍarā'ib Levies imposed by an Islamic state on its citizens at times of such emergencies as a natural calamity, famine, war, etc. These taxes were levied only when normal sources of revenue were inadequate to meet the immediate expenses.

al-ḍarb fil 'ard Qur'ānic term for struggle to earn one's livelihood. By implication, it is applied to struggle for lawful earning (*ḥalāl rizq*).

ḍarībah al-ṭa'ām *Kharāj* of the land assessed and paid in kind. The term was prevalent in Egypt during the early period of Islam.

al-ḍarūrīyāt al-khams *Lit*: The five fundamental needs. *Tech*: Five basic needs of every person, namely, protection of life, religion (*dīn*), reason (*'aql*), progeny and property. They have also been termed as

maqāṣid al-sharī'ah, that is, the objectives of the *sharī'ah*. An Islamic state is supposed to cater for these basic needs of all its inhabitants, should the individual, the family or his community are unable to do it.

ḍayā' Wastage, spending one's energy, time or wealth in a manner that brings no material or moral benefit.

deferred price certificate of indebtedness See **DPC**.

Department of Fatwa and Research See **DFR**.

deployment ratio An analytical tool used by some Islamic banks to denote ratio of total financing and investment to total deposits. The ratio ranges between 0 and 100.

DFR (Department of Fatwa and Research) A *sharī'ah* supervisory organ of some Islamic banks responsible for guidance, supervision and control of the bank operations in the light of the *sharī'ah*. It is different from a *Sharī'ah* Supervisory Board (SSB) as it is a full-time department of the bank and is represented in the top management and various committees of the bank. It reports to the top management and also to the shareholders in the annual general meeting.

dhawu al-'arḥām Relating to the law of inheritance, relations connected through females. They get a share in the absence of *dhawu al-farā'id* and *'aṣabāt*. The following relatives come under this category: (i) son of the daughter and daughter of the daughter; (ii) son of the daughter of the son, and daughter of the daughter of the son and their children; and (iii) maternal grandfather, maternal grandfather of the father, the grandfather of the mother, maternal grandfather of the mother, the grandmother of the mother, children of the sisters, sisters of the father and those of the mother, etc.

dhawu al-farā'id Relating to the law of inheritance. These are the people whose shares have been defined in the *Qur'ān*. They are 12 in

number: (i) four males: father, grandfather, uterine brothers and husband; and (ii) eight females: wife, daughters, son's daughter, mother, grandmother, full sister, consanguine sister, uterine sister.

dhimmah lands Historically, lands in possession of non-Muslim residents of the Islamic state (*dhimmis*) on which they paid land taxes. Also known as '*arḍ al-kharāj*.

al-dhimmī Historically, non-Muslims who came under the protection of the Islamic state after fighting and accepting the defeat. They were distinct from *al-mu'āhid* (contractees) who agreed to live under the Muslim protection as a result of some peace agreement. *Al-mu'āhid* were liable to pay tax according to the agreement whereas *al-dhimmī* paid *jizyah*.

al-dhirā' *Lit:* arm, forearm, cubit. *Tech:* Measures of different length prevalent in the medieval era in Muslim countries.

dhirā' al-'āmmah Also known as *dhirā' al-kirbās*, a cubit equivalent to 46.2 cm.

dhirā' al-daur See **dhirā' al-qaṣabah**.

dhirā' al-ḥadīd Iron cubit used in Makkah of the seventh to tenth centuries of *hijrah* for measuring fabrics. Equal to 53.9 cm. According to another report, equal to 52.8 cm.

al-dhirā' al-hāshimīyah A cubit devised by Abū Mūsā al-'Ash'arī prevalent in Kufa and Basra. One *dhirā' al-hāshimīyah* was equal to 61.6 cm or 2.053 feet.

al-dhirā' al-mirāthīyah A cubit devised by the 'Abbāsīd caliph al-Mamūn al-Rashīd (AD 813–833) to measure *barīd* (post stages), embankments, *sūqs*, canals and excavations; equal to one *dhirā' al-Sawād* plus two-thirds of the same plus two-thirds of a finger.

dhirā' al-misāḥah A cubit to measure land. One *dhirā' al-misāḥah* was equal to 106.68 cm.

dhirā' muqaddar al-shar' The legal cubit used in the *sharī'ah* was 46.2 cm. It was also known as *dhirā' al-'āmmah*.

al-dhirā' al-qaṣabah A cubit measuring two-thirds of a finger shorter than *dhirā' al-Sawād*. One *qaṣabah* was 369.6 cm.

dhirā' al-qumash A fabric cubit to measure length used in Makkah of the seventh to tenth centuries of *hijrah*. Equal to 28 fingers or 53.9 cm. Used for measuring short distances.

dhirā' al-Sawād The cubit of Sawād, devised by the 'Abbāsīd caliph Hārūn al-Rashīd (AD 786–809) who determined it from the forearm of a negro slave. It was used for cloth, merchandise, buildings and for road distances.

al-dhirā' al-'Umarīyah A cubit devised by the second caliph, 'Umar b. al-Khaṭṭāb (13–23 AH), to measure lands of *Sawād*. It measured a cubit (prevalent) plus a grip of clasped hand and a thumb.

dhirā' al-yad A measure of length used in Egypt during the seventh to tenth centuries of *hijrah*. Equal to 24 fingers or 46.2 cm. Used for measuring relatively short distances. Also used in Makkah of the same period during the pilgrimage season. For rest of the year, in Makkah, the measure used was 17 per cent longer than the *dhirā' al-yad*.

al-dhirā' al-Yusufīyah A cubit measuring 3 fingers shorter than *dhirā' al-Sawād*. It was devised by Imam Abū Yusuf (d. AD 798) to measure lands of Baghdad.

DIB (Dubai Islamic Bank) Incorporated on 10 March 1975. Has three branches in UAE. Authorized capital: 50 million *dirhams* (fully paid-up).

al-ḍimār See **māl al-ḍimār**.

diminishing mushārahah It is a *mushārahah* in which the Islamic bank agrees to transfer gradually to the other partner its (Islamic bank's) share in the *mushārahah*, so that the Islamic bank's share declines and the firm's share increases until the latter becomes the sole proprietor of the venture.

al-dinār *Lit:* A monetary unit. *Tech:* Gold coin weighing one *mithqāl*, equivalent to 4.25 g.

al-dinār al-'ainī Copper *dinār* in circulation during *Nasrid* Spain (fourteenth century AD). It was used for day-to-day internal exchange and carried a fixed monetary value.

al-dinār al-dhahaby Golden *dinār* in circulation during *Nasrid* Spain (fourteenth century AD). Usually of 2 g in weight, containing 22 carat gold. The gold *dinār* was mostly used in the international trade in those days. It was equal to 5–7 silver *dinārs* or 75 silver *dirhams*.

al-dinār al-fiddī Silver *dinār* in circulation during *Nasrid* Spain (fourteenth century AD), usually equal to one-fifteenth to one-seventh of a gold *dinār*. Silver *dinārs* were of square shape and seem to have been issued by the *Nasrid* rulers with fixed monetary value as compared to gold *dinārs*, which had a fluctuating market price.

dinār shar'ī The *dinār* prevalent in the days of the Prophet Muhammad. The jurists of later days used it to translate the equivalents of their own respective times into the coin of the Prophet's time to determine *niṣāb* of *zakāh*, *diya* or *zakāh al-fīṭr* and other religious levies.

dirham lil-'ashyā' *Lit:* A weight of varying magnitude. *Tech:* A measure for weighing commodities. One *dirham* equalled 3.171 g.

dirham al-fiddah *Lit:* A weight of varying magnitude. *Tech:* Silver coin weighing 1 *dirham*. Equal to the weight of 70 grains of barley or 2.97675 g.

dirham shār' The *dirham* prevalent in the days of the Prophet Muḥammad. The jurists of later days used it to translate the equivalents of their own respective times into the coin of the Prophet's time to determine *niṣab* of *zakāh*, *dīyah* or *zakāh al-fiṭr* and other religious levies.

distributions to investors With reference to an Islamic Fund, they include distributions from net profit from investments, sales and financing, distributions from realized gains from investments and financing, and return of capital.

al-diwān *Lit:* Account books of the treasury. *Tech:* The finance department of early Muslim states. Initially established by the second caliph of Islam, 'Umar bin al-Khaṭṭāb (13–23 AH), as a department to manage state finances, but later adopted by the Muslim states as a regular institution. The entire economic activity came to be coordinated through *diwān bait al-māl*, an equivalent of a present-day ministry of finance. During the 'Abbāsīd period (AD 750–945), the *diwān* became a generic name for a department. Each department came to be designated as *diwān* relating to specific functions. Each *diwān* had two sections: *al-'aṣl* (shortened from *majālis a-'aṣl* or *diwān al-'aṣl*) and *al-zimam*. The former was the main office while the latter was a supervising bureau (and was also called *diwān al-'ishrāf* because it was responsible for an oversight function). The *'aṣl* section was responsible for preparing the departmental budget and its execution while *al-zimam* was responsible for audit and control. In addition to a *zimam* section with each department, there was a *zimam* for public undertakings or state property.

diwān al-'aḥshām See **diwān al-nafaqāt**.

diwān al-azimmah A supreme audit office established by 'Abbāsīds (AD 750–945) to control and check the accounts of other *diwāns*. This was also termed as *diwān zimam al-azimmah*.

diwān bait al-māl See **bait al-māl**.

diwān al-marāfiq During the 'Abbāsīd period (AD 750–945), an office responsible for managing reclaimed bribes from the outgoing faction in power.

diwān al-birr wa al-ṣadaqah A department during the ‘Abbāsid period (AD 750–945) responsible for distributing that part of *zakāh* on which the poor, the needy and the *awqāf* had a claim.

diwān al-ḍai‘ah Central board for the management of personal estates of the caliph during the ‘Abbāsid caliphate (AD 750–945).

diwān al-ḍiyāh An office set up by early ‘Abbāsids (AD 750–945) to oversee estates, properties, investments and rents of the state. See also **diwān al-māl**.

diwān dār al-ḍurūb A department for controlling local mints. Originally started by Umayyads (AD 661–750), it grew into a modern-day central bank. It kept an eye on the circulation of money and granted concession for minting coins.

diwān al-jahbadhah See **jahbadh**.

diwān al-kharāj Finance department of the central government during the ‘Abbāsid period (AD 750–945). It had a number of wings. *Majālis al-‘aṣl* (where the chief used to sit) were responsible for drawing financial estimates. There were *majālis al-ḥisāb* for reviewing the provincial accounts before they were ratified in the *majālis al-jamā‘ah*, the bureau for closing the accounts of local *buyūt al-‘amwāl*. Then there were *majālis al-sudān*, probably a bureau for drafts or perhaps for keeping registers and *majālis al-tafṣīl* which kept specified charts over individual tax-payers, their circumstances, yields and correspondence regarding their problems. Finally, it contained *majālis al-jaish* that kept an eye on the military participation, tax levy and the *tasabbub* [see **hawala**] that flowed to them. *Diwān al-kharāj* functioned independently of other departments. It functioned as an internal audit office over the *wazīrs*, and also looked after the agricultural and economic productivity of the provinces.

diwān al-khāzin A department during the ‘Abbāsid period (AD 750–945), responsible for governmental stores of natural products, magazines and arsenals.

diwān al-mā' A department during the 'Abbāsīd period (AD 750–945) responsible for irrigation works. In case of private estates, the owner was responsible for maintenance of irrigation works. This department also supervised distribution of irrigation water. The department kept accounts of the agricultural outputs and fed *diwān al-kharāj* with data for calculating *'ibrah* (average output).

diwān- al-māl Provincial department of revenue during the 'Abbāsīd period (AD 750–945) that kept registers defining each province and indicating how it had been annexed to the Islamic state: whether by force (*'anwah*) or by contract (*ṣulh*). Registration covered the status of land taxation at various points (indicating whether the receipts were *kharāj* or *'ushr*, whether *kharāj* was considered as rent or as a *jizyah*), the survey of the land with the names of holders, and the type of *kharāj* assessment (whether it was *misāḥah* or *muqāsamah*, and the fixed rate of *kharāj* in the case of *misāḥah* or the proportion of yield in case of *muqāsamah*). Moreover, sufficient information was kept about mines and taxes collected from them and about the custom duty (*'ushūr*) of cross-border trade. The payers of the *jizyah* were also listed.

diwān al-maqbūdāt See **diwān al-muṣādarīn**.

diwān al-naẓar fi al-mazālim It was an office that historically exercised judicial as well as magisterial functions over those responsible for general administration as well as over proper operation of markets. In certain cases, the functions of this office were similar to the department of *al-ḥisbah*. As a result, at these places, the department of *al-ḥisbah* was named as *diwān al-naẓar fil mazālim*.

diwān al-muṣādarīn A department during the 'Abbāsīd period (AD 750–945), which dealt with matters concerning those officials who were called to account for their conduct and performance with reference to their responsibilities. The department had powers to punish those found guilty of negligence and corruption. The methods employed at *muṣādarah* might range from a polite discussion in which the accused might voluntarily submit to pay a fine, to torture and even loss of life or property. The department was also responsible for the management of confiscated properties. Therefore, in certain cases it was also known as *diwān al-maqbūdāt*.

diwān al-mustaghallāt An administrative office established by the Umayyads (AD 661–750) to administer state lands, including government properties in cities and villages and their rents. It is likely, however, that this *diwān* may have been a small department attached to the larger and more important *diwān al-kharāj*.

diwān al-nafaqāt An office established by the early ‘Abbāsids (AD 750–945) to manage expenditure on the administration of the royal court. It dealt with the salaries of the court officials, provisions, construction and repair of royal buildings and care of stables. As many of the expenses in this department went to the retinue of the *khalīfah*, it was also called *diwān al-‘aḥshām*. It was divided into *majālis al-jārī*, the place where the pay of the notables (*‘aḥshām*) was disbursed, the *majālis al-‘inzāl*, from where the household of the *khalīfah* was financed and where accounts were settled with the merchants, who paid in the taxes (*waḥīfah*), and where the natural products grown upon the government estate were delivered and controlled. It also had *majālis al-ḥawādith* responsible for extraordinary expenses to meet emergencies and natural calamities.

diwān al-sawād An office set up by early ‘Abbāsids (AD 750–945) to act as agent for collection of all revenues and taxes from the agricultural lands of Iraq.

diwān al-ṣawāfī Central board for the management of *ṣawāfī* lands during the ‘Abbāsīd period (AD 750–945).

diwān-i-wizārah Relating to the administration of state lands donated to the notables (*‘iqṭā’*) in India of the sixteenth century. It was the central accounts and auditing office for the revenue receipts of the provincial taxes received from the state lands donated as *‘iqṭā’*.

DJIMI (Dow Jones Islamic Market Index) An index of about 600 companies whose products and services comply with the Islamic *sharī‘ah*. The index was launched by Dow Jones & Co on 9 February 1999 at Bahrain. The objective of this index is to publish regularly information on the share prices of those companies for the information of those investors who are interested in investing their funds in accordance with

the *sharī'ah*. The criteria for including a company in this list is that its primary business should be in accordance with the *sharī'ah*. Besides, it should have a debt/total assets ratio as less than 33 per cent, accounts receivable/total ratio less than 49 per cent and interest income/operating income ratio as less than 10 per cent.

DMI (Dār al-Māl al-Islāmī) A holding company, registered in Bahamas with a paid-up capital of US\$ 1000 million contributed by the promoters and the public in the Muslim countries. The affairs of the DMI are conducted under the direction of an 18-member board of supervisors. Administration of the business affairs of the DMI is entrusted to Dār al-Māl al-Islāmī, S.A. (DMISA), a corporation formed under the laws of the Canton of Geneva, Switzerland. All the shares of the DMISA are owned by the DMI. The DMI Group has 25 financial and business companies in 15 countries. The DMI operates through Islamic banks, investment and insurance companies. The DMI invests in banking companies as well, provided that it is allowed to hold 51 per cent of the equity. The DMI claims to run its affairs on an interest-free basis. A board of *sharī'ah* scholars supervises the legality of the DMI's business operations. The investment companies of the DMI accept deposits on various terms. The DMI acts as a *muḍārib* and the depositors are treated as *'arbāb al-'amwāl*. The insurance companies of the DMI, known as *takāful* or solidarity companies, cover known losses. The membership of these companies brought all the members into a union of brotherhood where the loss of one was made up by others. The premiums received are invested in lawful business. Any profits are also distributed among the members, DMI keeping a small commission for its services.

double muḍārabah An arrangement according to which capital is advanced to an intermediary (be it a bank, a finance corporation or business firm), on the basis of *muḍārabah*. The intermediary forwards this capital to a third party again on the basis of *muḍārabah*. In this way, two independent contracts of *muḍārabah* take place. The intermediary (say I) enters into contract with the one who advances money on the basis of *muḍārabah* (say S), and the one who takes it for actual business operations on the basis of *muḍārabah* (say E). The profit from the business of E is distributed between E and I in a given proportion, but any loss on the capital is borne by E alone. Similarly, any profit earned by I is shared by

S and I in a pre-determined ratio but any loss to I is borne by S alone. In this way I acts as agent, and E sub-agent of S.

Dow Jones Islamic Market Index See **DJIMI**.

DPC (deferred price certificate) A proposed financial instrument for financing those public projects that do not generate any explicit income. The certificates are proposed to be issued by a public body, carrying different maturities. They would be encashable at face value. But the holders would be able to transfer them to another party for the purchase of goods and services. Since they will be encashable over a long period (1 year plus), investors for a very short period will not be able to buy them. There would not be any secondary market for them. It would introduce certain amount of illiquidity in the financial market, which could be an advantage as it would lead to greater monetary stability.

DRP (depositors' rate of profit-sharing) A proposed instrument of monetary policy in an interest-free environment, percentage share of depositors in the profits accruing to the banks. It is an Islamic alternative to interest on saving bank deposits and the central bank can manipulate to achieve monetary policy objectives.

Dubai Islamic Bank See **DIB**.

dukhūl fil 'arḍ Purchase or lease of *kharāj* land by a Muslim which was originally banned.

E

ECO (Economic Cooperation Organization) Initially set up by Pakistan, Iran and Turkey in 1985 as a modified form of Regional

Cooperation for Development (RCD) has following other members: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The objectives are: cooperation in trade, technical and scientific fields, coordination in policies relating to agriculture, industry, energy and infrastructure. Tehran has its permanent secretariat. The Secretary General is elected by rotation from among the member states. A protocol on exchange of trade preferences has been signed.

ECOSAI (Economic Cooperation Organization Supreme Audit Institutions) Established in 1993, it is a body of the Supreme Audit Institutions of the 10 countries who are members of the ECO plus Turkish Republic of North Cyprus which has an observer status. Pakistan is the permanent seat of the Secretary General. The objectives are: cooperation in training, sharing of knowledge and experience among Supreme Audit Institutions of the ECO member states.

ECO Union for Multilateral Payments Arrangement A tripartite arrangement among Iran, Pakistan and Turkey, signed in 1967 (former RCD days), it is meant to promote reciprocal credit system to provide automatic settlement of accounts among the participating countries. The unit of account is US dollar.

effective capital Used with reference to Islamic financing by some writers who profess that profit-loss sharing should not be proportionate to face-value of capital but should be *pro-rata* 'effective capital'. The sum of effective capital is to be a factor of exposure to risk and period of investment. It would be arrived at by multiplying face-value of the capital by a 'risk exposure factor'. The share of profits of a particular class of capital to the total profits will bear the same ratio as the *effective capital* of that class bears to the *total effective capital*. See also **risk exposure factor**.

emānet See **al-muqāṭa'ah**.

equipment trust certificates A proposed Islamic financial instrument where an Islamic Trust Fund could issue equipment trust certificates (ETCs) to raise funds for purchasing a durable asset, like an aeroplane,

to be leased to a company. The ETCs would carry a fixed rate of return from out of the lease money earned by the Islamic Trust Fund. The fund could deal in leasing of various types of assets at a time.

equity participating mortgage An equity form of financing in which the lender and the borrower undertake a joint investment and agree to a future division of profit (or losses) according to specified shares. Thus, the lender participates in the income, the residual or both. The mechanism is simple: the lender lends money to the borrower in exchange for a pre-determined share of the profit (or losses) earned in the enterprise plus a portion of tax benefits for which the enterprise would be eligible. The finance is provided to purchase a real estate, which is held in mortgage by the financier. Such a form of mortgage financing is unique in the field of real sector investment. In the United States, entities such as Real Estate Investment Trusts (REITs), Real Estate Limited Partnerships (RELPs) and pension funds invest in equity participatory mortgages.

eshām (sing. *sahm*) *Lit:* shares. *Tech:* The system of tax-farming adopted by the Ottomans after 1775. In the early stages, the tax-farming system allowed the tax-farmer to collect taxes from the peasant and deposit the amount, after deducting his share as a reward for tax-collection services. Thus the tax farmer had an incentive to work for the state. The state did not need to create a present day system of tax department for collecting the land tax. Gradually, the system evolved into a corporate body whereby the system of tax-farm was managed centrally and its annual expected net profit was divided into shares, hence the term *eshām*. Under the system, if a tax-farm was expected to generate a net profit of 15000 *grus*, this profit could be divided into a number of shares, say, 100 shares of 150 *grus* each. The sale price of each share (*sahm*) usually consisted of five times the expected annual profit. In the above example, if the annual expected profit of a share was 150 *grus*, the price of the share would be 750 *grus*. Any person who paid this amount could buy a share. He was then entitled to receive the profit for his share for rest of his life. If he lived longer than 5 years, he would make a profit, but if he died earlier, the state could re-sell his share to someone else for a different price. Small savers could invest in the scheme. The system worked efficiently for some time. Once the number of shareholders increased, the state could not monitor the shareholders properly. Ultimately, people started transferring the shares without state authority.

F

al-faḍl *Lit:* Surplus. *Tech:* Bounty of Allah. Used in connection with struggle to earn livelihood and attain bounties of Allah.

al-fai' *Lit:* Return, booty, shadow. *Tech:* Signifies what is obtained from the enemies when they lay down arms (without fighting) and what is received from any alien people under a treaty, the proceeds of which, according to the majority of jurists, go to the public sector of the Islamic state. According to some, however, a fifth of *al-fai'*, like that of *al-ghanīmah*, is to be divided among the five categories specified for the latter: the Prophet, his near relatives, destitutes, orphans and poor wayfarers. After the demise of the Prophet, the two shares of the Prophet and his relatives from the fifth of the *al-fai'* and *al-ghanīmah*, as held by the majority, were withheld by Abū Bakr and this practice was also followed by the subsequent three caliphs. These two shares were either absorbed in the shares of the other three beneficiaries or, as some reports say, went to the general public sector. Subsequently, *al-fai'* came to be identified with all revenues except *zakāh*, a term that can mean civil revenues these days.

fai' al-muslimīn An alternate term for **al-fai'**.

al-faij Special messengers running with letters of credit, employed by bankers during the 'Abbāsīd period (AD 750–945). This was a regular banking service provided for a small commission (usually one *dirham* per *dinār*).

Failaka International Inc. A Kuwait-American Islamic financial research and consulting company based in Chicago. It publishes a quarterly bulletin, *Failaka Islamic Fund Quarterly (FIFQ)* since April 1998 covering financial results of Islamic funds. By March 2000, the bulletin had the analysis of over 85 Islamic funds.

fair price A price that comes into being as a result of the market operations within the framework of the *sharī'ah*.

Faisal Finance Institution of Turkey Incorporated on 9 October 1984 with an authorized capital of TL 5 billion (all paid-up) by Prince Muhammad al-Faisal al-Saud.

Faisal Finance (Jersey) Incorporated in 1996 in the United States, provides management and administrative services to Faisal Finance Real Estate Income Fund. It is a subsidiary of Dār al-Māl al-Islāmī. On 31 December 1998, it had US\$ 169 under its management.

Faisal Islamic Bank of Bahamas Faisal Islamic Bank, Bahamas. Incorporated on 9 December 1982. A subsidiary of DMI. Began operations on 1 February 1984. Paid-up capital, US\$ 2 million.

Faisal Islamic Bank of Bahrain Faisal Islamic Bank, Bahrain. A subsidiary of DMI. Incorporated on 14 July 1982. Authorized and paid-up capital, US\$ 30 million.

Faisal Islamic Bank of Egypt Faisal Islamic Bank of Egypt was founded in 1977 by Prince Muhammad al-Faisal al-Saud. It claims to run its operations on the basis of the *sharī'ah*. A board of religious scholars supervised the legality of the operations. Its operations consist of *mushārahah*, *muḍārabah*, *murābahah* and *qarḍ ḥasan*. Authorized capital was US\$ 500 million and paid-up capital was US\$ 131.9 million in 1998. The bank has its head office in Cairo and 14 branches in Egypt. Most of the bank's activities consist of financing short-term projects. However, it has plans to start long-term financing as well. The bank has established 32 companies in various development fields. The bank collects and disburses *zakāh* as well.

Faisal Islamic Bank of the Sudan Incorporated in August 1977. Has 18 branches, besides a head office and three subsidiaries for insurance, trade and real estate. Authorized capital, £S 100 million; paid-up capital, £S 58.4 million.

Faisal investment participation shares A financial instrument developed by Faisal Islamic Bank of Bahrain (FIBB) enabling the investors to

place funds for short durations. The share certificates are tradable on the stock exchange and supported by investments in *'ijārah* projects (60 per cent), *murābahah* financing (30 per cent) and other modes (10 per cent). The price of the shares are determined by market in the light of the net asset values announced by the FIBB on a weekly basis. This is claimed to be the first financial instrument issued by an Islamic bank that is good even for very short-term investment.

al-fakkāk *Lit:* To separate, disjoin and redeem. *Tech:* During fourteenth century Nāṣrid Spain, used in commercial legal transactions to mean redemption of pledges and debts. In Andalus, this term was applied to an intermediary who was paid by the relatives of a person in the enemy territory to buy the liberty of the person by paying the required amount to the enemy. Gradually, *al-fakkāk* grew in size and functions and started earning commission from both parties. Other functions performed by him were bargaining of ransoms, trading in silk, lending and dealing in debased currencies, etc. He seems to be the professional money-lender of the then Muslim Spain.

al-falāḥ *Lit:* To thrive, to become happy, to have luck or success. *Tech:* It implies success in the *'Ākhirah* (hereafter). *Al-falāḥ* presumes belief in one God, apostlehood of Muhammad, life in the *'Ākhirah* and compliance with the *sharī'ah* standards in everyday behaviour. The Islamic state is responsible for creating such conditions, which should facilitate achievement of the *al-falāḥ* at individual and collective levels. The spiritual conditions of *al-falāḥ* are: humility in prayers, consciousness of God (*taqwā*), remembrance of God, thanksgiving to God, repentance and inner purification. Economic conditions for *al-falāḥ* are: spending to promote social welfare (*zakāh* and *'infāq*) avoiding *ribā*, fulfilling covenants, avoiding exploitation, earning livelihood through hard work and avoiding miserliness. Cultural conditions of *al-falāḥ* are: a system of prayers, pursuit of knowledge, sexual chastity, prohibition of intoxicants and gambling, purification of environments, enjoining of the proper and prohibition of the improper and avoiding frivolities. Political conditions of *al-falāḥ* are: *jihād* and *shūrā* (consultation). Islamic economics studies the economic conditions of *al-falāḥ*. *Al-falāḥ* is a both-worldly concept. It implies reconstruction of human character in the light of Islamic values, while providing a minimum standard of living and clean environments to the entire population. It also suggests self-respect, self-reliance and a purified soul.

al-fals (pl. fulūs) Copper coin prevalent in the early centuries of the Islamic era. The term was also used to denote a small weight equivalent to 0.00082 g.

al-faqīr *Lit:* A poor man. *Tech:* Used in the law of *zakāh*, for a needy and poor man who has nothing to live on. Some jurists think that *al-faqīr* is a person who does not have enough to make him liable to pay *zakāh*. See also **al-miskīn**.

al-faqr *Lit:* Poverty, need, want. *Tech:* A condition of unfulfilled basic needs. It also refers to a condition of lack of contentment, leaving one in a state of greed. But it has a positive connotation as well: indifference towards material endowments, despite ability to acquire and possess. A natural corollary of *al-faqr* is rough and simple living by one's option (and thus to transfer the surplus to the needy and the poor). In this sense, *al-faqr* is an economic value of the Islamic society.

al-faraq A measure equivalent to 6 *qisṭ* or 3 *ṣā'*. According to most of the jurists it is equal to 6.516 kg. In terms of litres, it is 8.244 l according to most of the jurists but 10.086 l according to the Ḥanafites.

farḍ kifāyah *Lit:* A collective duty upon Muslims, the discharge of which by some of them absolves the rest of its performance, such as *ṣalāt al-janāzah* or *jihād*. *Tech:* It covers such functions that the community fails to (or cannot) perform and hence are taken over by the Islamic state, such as provision of utilities, building of roads, bridges and canals.

al-farīdah *Lit:* Obligatory. *Tech:* *Zakāh* payable on the cattle wealth.

al-farsakh *Lit:* A measure of length, parasang. *Tech:* 1200 *dhirā'* equals 3 miles 720 yards or 5.544 km.

fasād fil 'ard *Lit:* Corruption on the earth such as highway dacoity, arson, manslaughter, burning of crops and social destruction of any type. *Tech:* It also covers such individual economic behaviour or policies of the

state that cause socioeconomic imbalance, poverty, deprivation, economic backwardness and unemployment.

al-fāsīd See **al-bāṭil**.

al-fataḥ See **al-ghail**.

fatrah al-'ikhtiyār See **al-'ikhtiyār**.

fatwā A decree by a competent *sharī'ah* scholar qualified to issue decrees (*mufṭī*) on a matter giving an opinion about the position of a matter in the light of the *sharī'ah* rules and principles.

al-fiqh Islamic jurisprudence. The science of the *sharī'ah*. It is an important source of Islamic economics.

financial murābahah A contract of sale being practised by Islamic banks, according to which the banks act as intermediaries to provide finance for purchasing goods to a buyer on the basis of *murābahah*. The banks charge a mark up on the sale price quoted by the seller and agree to receive the amount from the buyer over a period of time in the future. This is a development of the classical concept of *bai' al-murābahah*, where the sale was mainly a cash transaction. See also **bai' al-murābahah**.

financing assets With reference to Islamic banks, these are the assets that are financed through *mushārahah* or *muḍārabah* contracts.

fī sabīl Allah *Lit:* In the way of Allah. *Tech:* It is one of the eight heads of account on which the *zakāh* fund can be expended. It stands for *jihād* in the name of Allah. In a broader sense, it includes all those efforts that are carried out to implement Islam, whether it is fighting in the battlefield or by other means.

foreign currency bonds A proposed zero-rate financial instrument for raising funds by government. The foreign currency bonds are issued by a government against foreign currency loans. They may be used when the value of the local currency is likely to decline in terms of foreign currency. The incentive offered is the guarantee of payment in the foreign currency in which the bonds are issued. As they are issued when the foreign currency is more stable than the domestic currency, these bonds are a protection against domestic currency devaluation or inflation. The individuals who do not have any investment opportunities may be interested in placing their surplus funds in these bonds.

al-fundūq *Lit:* A hotel. *Tech:* Specialized large-scale commercial institutions and markets of the medieval Islamic period. They dominated the townscape of great cities in the entire Islamic world.

G

GCC (Gulf Cooperation Council) Set up by Bahrain, Kuwait, Oman, Saudi Arabia and United Arab Emirates in 1981. Aims are: unified trade and industrial legislation, common uniform customs tariff, liberalization of intra-trade of industrial goods, policy coordination in petroleum industry, coordination of financial and monetary policies, introduction of common currency and scientific and technical cooperation.

gedik A system introduced by Ottoman Sulṭān Maḥmūd (AD 1808–1839) in which the government issued a trade licence (known as *gedik*) for a fee allowing the holder to carry out certain trade or craft. The *gediks* were of two kinds: restricted and unrestricted. The restricted right created a monopoly such that no one else was to be given this *gedik*. The unrestricted right made it possible for others to obtain similar *gediks* afterwards in that trade or craft. But the trade itself could not be carried out without a *gedik*. The *gedik* could be sold but its transfer had to be registered with the government for a fee. It could also be inherited. The system of *gedik* was introduced by the Sulṭān to augment the income of the imperial *'awqāf* which had gone into deficit over years because of

inflation. The system of *gedik* fell into disrepute because of malpractice. It was abolished in 1861.

General Agreement for Economic, Technical and Commercial Cooperation among Member States of the Islamic Conference The agreement was signed by foreign ministers of the OIC member states in 1977. Almost all states have approved it but not all had ratified it until 1985. The goal was to create a framework for the improved utilization of natural and human resources of the member states. The agreement eased factor movements between member states to promote economic cooperation and development.

general investment account A type of investment deposit accepted by some Islamic banks. The deposits received on this account are pooled in a fund. The fund is invested on lawful Islamic business activities. The profit or loss from these activities is distributed among the account holders. The account holders are given weight according to the length of the period for which a deposit remained with the bank.

general investment certificate A proposed instrument of Islamic banking. The certificate would be offered by commercial banks to savers. Its holder would be entitled to an average rate of profit from all operations of the bank. The certificates would be issued for different maturities ranging from 60 days to 10 years. They would also be marketable.

general mushārahah certificate A proposed financial instrument for government for raising funds on the basis of partnership. The government can sell these certificates for investment in public sector projects likely to generate revenues such as power plants, bridges, colleges and universities. All providers of fund would be *pro rata* owners of the underlying assets. The certificates would be entitled to the income generated from the operation of the assets. The holders would be able to trade the certificates at the market going rate. However, if the certificates are issued even before any tangible assets are created, the government can issue them only at par value.

general takāful A form of Islamic insurance to cover losses of fire, theft or natural calamities. The scheme or concept follows the principles of mutual insurance. See also **takāful**.

Geniza or Cairo Geniza Manuscripts, mostly in Hebrew characters but in Arabic language, originally preserved in a synagogue, partly also in a cemetery of Fustat (old Cairo), the ancient capital of Islamic Egypt. The material originated all over the Mediterranean area and comprised every conceivable type of writing, such as official, business and private correspondence, detailed court records and other judicial documents, contracts, accounts, checks, prescriptions, receipts and inventories, writs of marriage, divorce and manumission, charms, children's exercises and the like. The bulk of the material is of Jewish origin. Manuscripts are preserved in the University Library, Cambridge, the Bodleian Library Oxford, the British Museum, the Jewish Theological Seminary of America, New York, the Dropsie College Philadelphia and many other libraries. Geniza documents have thrown new light on the commercial history of the Muslims and the orientalist writers have used them to draw inferences about Muslim practices.

al-ghabn al-fāḥiḥ *Lit:* Excessive overcharging or over-pricing. *Tech:* Used for exorbitant or exploitative rate of profit.

al-ghail Natural water course such as canals, rivulets and streams. Lands irrigated by the water of *al-ghail* are treated as '*ushrī* lands and pay '*ushr* (one-tenth) on the output at full rate. *Al-ghail* are also known as *al-fataḥ*.

ghair mamlūk *Lit:* Not owned. See **al-milk al-'āmmah**.

al-ghallah *Lit:* Income, revenue yield, crop. *Tech:* It applies to the yield or rent of land or wages of a labourer or earnings of a servant. It also applies to the coins that are rejected by the treasury but accepted by the merchants in their day-to-day dealings.

al-ghāmir *Lit:* Waste, empty (land). *Tech:* Land that is left out of tillage, having formerly been put under plough. According to some, it is the land where irrigation water does not reach and has to be irrigated artificially with considerable cost.

al-ghanā' (al-ghina') *Lit:* Wealth, affluence, sufficiency, adequacy. *Tech:* Relating to the law of *zakāh*, financial position of an individual that enables one to dispense with help from others. It excludes a person from

the category of beneficiaries of *zakāh* and bars him from making any lawful claim to the *zakāh* fund. From the traditions of the Prophet, the following stages of *ghanā'* may be deduced: (i) when a person is in possession of *niṣāb* of productive (*nāmī*) wealth above what one requires to meet, for the whole year, his own needs and of his dependants; (ii) when no *zakāh* is imposed but, nevertheless, one is not lawfully allowed to accept it. This stage is reached when, in addition to the basic necessities of life, one owns an amount equal to, but not less than 200 *dirhams* of unproductive wealth, such as the possession of clothing, a number of dwelling houses and warehouses, and the possession of abandoned household items and cattle heads, etc.; (iii) when it is not desirable for one to stretch one's hand in begging but one is lawfully allowed to accept *zakāh* if provided. This state is reached when one is in possession of 50 *dirhams* or, one *'uqīyah* of silver or is solvent or has sufficient means for the morning and evening meals or when one is physically fit enough to earn one's livelihood.

al-ghanam *Lit:* Goats and sheep. *Tech:* It refers to a herd of goats and sheep on which *zakāh* is payable.

al-ghānim *Lit:* Successful. *Tech:* A soldier of the Muslim army who receives a share from the war booty (*ghanīmah*).

al-ghanīmah *Lit:* Whatever is obtained without difficulty. *Tech:* The booty captured in a war with non-Muslims. It includes only movable property captured from the battlefield left behind by the enemy troops. It does not include the land, immovable property and even movable property of the enemy not thus captured. Four-fifths of the total booty (*ghanīmah*) is distributed among those who participate in the war and one-fifth is the share of the *bait al-māl*. See also **al-khumus**.

al-gharar *Lit:* Hazard, chance or risk. *Tech:* Sale of a thing that is not present at hand; or the sale of a thing whose consequence or outcome is not known; or a sale involving risk or hazard in which one does not know whether it will come to be or not, such as a fish in the water or a bird in the air.

al-gharb *Lit:* A large bucket. *Tech:* A large bucket tied to the camel or bullock working on a well to irrigate land. Half 'ushr (one-twentieth) is levied on the output of such lands. This bucket is also known as *al-rashā'*.

al-gharīm (pl. al-ghārmīn) *Lit:* Debtor. *Tech:* Relating to the law of *zakāh*, a debtor who does not own a *niṣāb* over and above his debt. It is one of the eight heads of account on which *zakāh* can be expended. It means that the *zakāh* can be expended to pay off the debt of a person, who if he pays off his own debt from his assets, is left with less than the *niṣāb*. All such persons can claim help from the *zakāh*. According to some jurists, it includes not only those who are unable to pay off their debts they incurred for their personal needs, but also covers those who incur debts for some social purpose, such as in making reconciliation and peace between feuding persons or tribes or in standing security in the lawful interest of another person. According to some, it also includes those on whom a calamity has befallen such as destruction of property by fire. In the Islamic banking model, it has been suggested by some, that the *zakāh* can be utilized to compensate such bad debt losses to the bank which have been caused by genuine inability of the debtor to pay back the amount taken.

al-ghaṣb *Lit:* To usurp. *Tech:* Forcibly taking possession of the property of someone else. The jurists have dealt with the question of liability of the usurper in detail.

ghirārah A measure of volume used in Makkah of the Mamlūk period (AD 1250–1517) for measuring grain. Equal to a range between 93.6 kg and 112.5 kg. Precise information is not available. As a measure of weight, the Makkan *ghirārah* of the same period was in the range of 72.4–87 kg.

ghish *Lit:* Deceit, fraud. *Tech:* In a sale contract, trying to deceive someone by concealing vital information. The Islamic law grants the right to rescind the contract to the buyer who has been harmed in this manner.

al-ghulūl *Lit:* Taking a thing and concealing it. *Tech:* Stealing from out of booty before it is distributed by the commander of the army.

al-ghurm *Lit:* Damage, loss. *Tech:* Liability of a debtor for any loss or damage caused by any factor other than a crime or dishonesty on the part of the debtor. It also applies to payment and performance bond provided by a contractor.

al-ghunm bi al-ghurm *Lit:* One is entitled to a gain if one agrees to bear the responsibility for the loss. *Tech:* The rationale of the principle of no profit-sharing without risk-sharing is that earning profit is legitimized by engaging in an economic venture and thereby contributing to the economy.

GICs (government investment certificates) Issued by the government of Malaysia under the Government Investment Act 1983 for borrowing money. The certificates carry a dividend to be declared in the light of economic performance of the country, inflation rate and equivalent return on other government instruments. The certificates qualify for the purpose of liquid reserve requirements of financial institutions. They are discountable at Bank Negara, Malaysia. The discounted price is determined with reference to the expected rate of return and the number of days for which the certificate was held before discounting.

good management fee Relating to *mushārah* financing by banks in Pakistan, it is a fee that a client can charge to the profits of the enterprise if the projected profit percentage of the venture is more than the maximum of the rate laid down by the State Bank of Pakistan. Where the actual profit is equal to the provisional rate of profit, the bank shall not allow any good management fee to the client.

government investment certificates See **GIC**.

Gulf Cooperation Council See **GCC**.

H

al-ḥabbah *Lit:* Grain, granule. *Tech:* A weight of six grains of barley, equal to 0.062 g.

al-ḥabs (pl. *al-'aḥbās*; also *ḥubs*, *ḥubus*) Inalienable property, the yield of which is devoted to pious purposes; religious bequest. An alternate term used for *waqf*, mostly in North Africa. See also **waqf**.

al-ḥādīth (pl. *al-aḥādīth*) Speech, action, habits and events of the Prophet's life codified by his companions and enlarged and revised by later Muslims. There is a large collection of *aḥādīth*, the most authentic of which have been recorded in the six books compiled by Bukhārī, Muslim, Tirmadhī, Abū Dawūd, Ibn Mājah and Niṣā'ī. These books are known as *siḥāḥ sittah*, the 'six correct compilations'. There are other collections also, the compilers of which are not regarded with comparable grace. In the process of collection and compilation of *aḥādīth*, a detailed art of evaluation was developed. Later on all *aḥādīth* were graded according to the criteria accepted by the majority. The *ḥādīth* is second source of law in Islam. In Islamic economics as well, the contents of authentic *aḥādīth* are accepted as a valid primary source.

al-ḥāfiẓ A person employed to keep guard on *zakāh* assets. He is included in the category of *'āmilīn* and paid out of the *zakāh* funds.

hagbad A Somali version of the rotating savings and credit society. The Somalis practise it widely. See **ROSCA**.

al-ḥājjah al-'aṣliyah *Lit:* Basic needs. *Tech:* In relation to the law of *zakāh*, the *sharī'ah* has exempted those assets that are required to fulfil one's basic needs. Also spoken with regard to the economic role of the Islamic state. The Islamic state is responsible to provide for the basic needs of all citizens, should some of them fall short of the means.

al-ḥajjājī Historically, a scale to measure grains. One *al-ḥajjājī* was equal to 1 *al-qafīz al-ḥajjājī*, 8 *raṭls* or 3.27 kg.

al-ḥajr *Lit:* To deny access, to stop, to detain. *Tech:* The authority of the state to deny an individual his right to make use of his own assets, in case his activities are harmful for the collective good or he is unable to use them properly because of lunacy, minority, indebtedness or slavery. It includes restrictions on extravagance and squandering of wealth on frivolous objects. This law gives wide powers to the state for intervening into individual freedom. This executive authority, however, remains bound by the superiority of the judiciary, where one can resort to for seeking justice, in case the state exceeds its limits.

al-ḥalāl *Lit:* Permissible. *Tech:* Things or activities permitted by the *sharī'ah*. The concept of *al-ḥalāl* has spiritual overtones. There are activities, professions, contracts and transactions that have been explicitly prohibited (*al-ḥarām*) by the *Qur'ān* or the *sunnah* of the Prophet. Barring them (i.e. *al-ḥarām*), all other activities, professions, transactions, etc., are *al-ḥalāl* (permissible). This is one of the distinctive features of the Islamic economics vis-à-vis traditional economics where no such concept exists. In conventional economics, all activities are judged on the touchstone of economic utility. In Islamic economics, other factors, mostly moral and spiritual, are also considered for evaluating the utility. An activity may be economically sound, but may not be allowed in the Islamic society if it is not permitted by the *sharī'ah*.

ḥalīy al-maḥzūr *Lit:* Prohibited ornaments. *Tech:* Relating to the law of *zakāh*, it refers to gold or silver cast into utensils or decoration pieces.

al-ḥamālah A blood wit or a debt, an obligation or a responsibility (that must be paid, discharged or performed), taken upon oneself by a person for others.

hamish qaḍīyah Relating to the contract of *murābaḥah*, it is the amount paid by the orderer upon the request of the purchaser to make sure that the orderer is serious in his order of the asset. However, if the promise is binding and the orderer declines to accept the asset, the actual loss incurred to the purchaser shall be made good from the amount deposited by the orderer with the purchaser. If the amount is not sufficient to make good the loss, the purchaser will raise additional claim. But if the amount is more than the actual loss to the purchaser, the balance will be refunded

to the orderer. The difference between *bai' al-'urbān* and *hamish qaḍīyah* is that in the case of the former, the purchaser forfeits the amount of the advance irrespective of his loss, which could be more or less. But in case of *hamish qaḍīyah*, the purchaser adjusts his loss against the amount and settles the account according to his actual loss.

al-ḥamūlah *Lit:* Transport charges. *Tech:* Transport charges of the tax on agricultural land paid by the tiller in kind. During medieval Islam, the peasant had the option to pay the tax in cash or in kind. In the latter case, he had to deliver the tax at the place designated by the government, bearing the transport charges himself. The jurists contended that this was an undesirable practice and the peasants should be exempted from it.

al-ḥaqal See **al-muḥāqalah**.

ḥaqq bait al-māl *Lit:* What is due to the state treasury. *Tech:* It refers to the taxation system in Ummayyad Iraq (AD 661–750) in which the tiller held the land under more than one lord, that is, the local feudal lord and the state. So the term *ḥaqq bait al māl* was used in distinction with *ḥaqq al-dihqān*, which meant what was due to the local feudal lord.

ḥaqq al dihqan See **ḥaqq bait al-māl**.

ḥaqq al-'ibād Individuals' divinely ordained duties and obligations unto themselves, fellow human beings and nature as a collective property of mankind.

ḥaqq al-'ijāratain *Lit:* Dual-lease right. *Tech:* Relating to the law of *waqf*, refers to the arrangement whereby the lessee makes a large down payment almost equal to the value of the *waqf* building and an annual nominal rent (may be equal to 2–3 per thousand of the value). The *waqf* is required to use the lump sum amount for the renovation, repair and restoration of the *waqf* building. The building remains the property of the *waqf*, but the lessee has the right to use it till the time he pays the annual rent. After his death, the property passes on to his heirs except that when there is no heir, it reverts back to the *waqf*. It is very similar to *ḥikr* or *ḥukr* except that in

the case of the latter, the *waqf* has the freedom to use the lump sum amount in any manner it likes. But in this case, the lump sum must be used for the renovation and repair of the *waqf* building to be used by the lessee.

ḥaqq al-irtifāq *Lit:* The right of utilization or easement. *Tech:* The right to derive benefits *gratis* from the immoveable property of someone else. The right has been recognized by the *sharī'ah* in the spirit of generosity that members of a community should display toward each other. Following are important classes of this *ḥaqq*: (i) The right to obtain drinking water for self and animals from the canal privately owned by someone else, known as *ḥaqq al-shurb*. (ii) The right to fetch canal water from across the land owned by someone else, known as *ḥaqq al majrā*. (iii) The right to drain out waste water over the property of someone else, known as *ḥaqq al-masīl*. (iv) The right of access to one's own property across the property of someone else, known as *ḥaqq al-murūr*. (v) The right of stopping the neighbour from carrying out such modifications in his property that may cause harm to oneself, known as *ḥaqq al-jiwār*.

ḥaqq al jiwār See **ḥaqq al-irtifāq**.

ḥaqq al-majrā See **ḥaqq al-irtifāq**.

ḥaqq al-marūr See **ḥaqq al-irtifāq**.

ḥaqq al-masīl See **ḥaqq al-irtifāq**.

ḥaqq al-shuf'ah *Lit:* Right of preemption. *Tech:* A right to acquire by purchase an immovable property in preference to other persons by reason of such right.

ḥaqq al-shurb See **ḥaqq al-irtifāq**.

ḥaqq al-yaqīn Knowledge acquired with certainty by personal experience or intuition. Absolute truth with no possibility of error of judgement or sense of perception.

al-ḥarām *Lit:* Prohibited, unlawful. See **al-ḥalāl**.

ḥarīm *Lit:* A sacred, inviolable place; sanctuary. *Tech:* In relation to a certain place or thing, surrounding area on which no one other than the owner of the place or thing has exclusive ownership rights. For example, *ḥarīm* of a house, well, canal, river or tree. The jurists have defined limits of *ḥarīm* in each case to delineate competing claims of ownership and usufruct.

al-ḥarth Relating to the law of *zakāh*, it refers to agricultural produce in general.

hāshimī Historically, a measure for grain prevalent in the ‘Abbāsīd period (AD 750–945). One sealed (*makhtūm*) *hāshimī* equalled 8 *raṭls* or 3.27 kg.

al-ḥaṭīṭah See **al-taswīgh**.

al-ḥawālah *Lit:* Bill of exchange, promissory note, cheque, draft. *Tech:* A debtor passes on the responsibility of payment of his debt to a third party who owes the former a debt. Thus, the responsibility of payment is ultimately shifted to a third party. *Al-ḥawālah* is a mechanism that can be usefully employed for settling international accounts by book transfer. This obviates, to a large extent, the necessity of physical transfer of cash. The term was also used, historically, in the public finance during the ‘Abbāsīd period (AD 750–945) to refer to cases where the state treasury could not meet the claims presented to it and it directed its claimants to occupy a certain region for a certain period and procure their claims themselves by taxing the people. This method was also known as *tasabbub*. The taxes collected and transmitted to the central treasury were known as *maḥmūl* (i.e. carried to the treasury) while those assigned to the claimants or provinces were known as *musabbab*.

al-ḥawālah ‘ala al-barī’ Endorsement of one’s debt to a third party who is not a debtor of the person endorsing the debt. The term has been applied in the model of Islamic banking by some. An obvious example is the case where a cheque is written in favour of a third party and drawn upon the bank that does not have a credit balance of the cheque-writer in its books.

al-ḥawālah ‘ala al-maqrūḍ Endorsement of one's debt to a third party who is a debtor of the person endorsing the debt. The term has been used in the model of Islamic banking by some writers. An obvious example is the case where a cheque is written in favour of a third party and drawn upon the bank that has a credit balance of the cheque-writer in the books of the bank.

al-ḥawāmīl Used in the law of *zakāh* for those animals engaged in carriage of goods.

al-ḥawl Period for which *zakāh* or *'ushr* becomes due. In case of cash, golden silver, stock-in-trade and cattle, it is one year and in case of agricultural and mineral produce, it is as and when the produce is available.

ḥayāt ṭayībah Good life attained by the balanced satisfaction of both the material and the spiritual needs of human personality. It does not mean 'good life' as in the materialistic Western culture, which over-emphasizes fun, wealth, women and wine.

al-ḥāzir An estimator for the green fruits and vegetables employed by the tax departments during the 'Abbāsīd period (AD 750–945).

al-ḥibah *Lit:* Gift, donation. *Tech:* Transfer of a determinate property (*māl*) without any material consideration. The Prophet has exhorted the Muslims to donate gifts to others. This is one of the important values of the Muslim society. The objective is to cultivate love and cooperation among people.

ḥibah bil 'iwāḍ A gift in exchange of gift without the exchange being a condition of the gift. It is a simple gift transaction except that revocation of gift cannot take place.

ḥibah bi sharṭ al-'iwāḍ A gift on condition of an exchange. For instance, A gives a house to B on condition that B will give to A a garden belonging to B. Such a transaction partakes of the nature both of gift and sale. It is

regarded as a gift in its inception, so that it will not be valid with respect to an undivided property (*mushāʿ*) and neither party will acquire any right in the thing given to him before delivery of seisin. After delivery of possession by each party the transaction has all the incidents of a sale, so that neither party can revoke his act; the right of preemption will attach to the property and either party can return for defect in the article that he has received.

HIFIP (Harvard Islamic Finance Information Program) Founded in December 1995 as an academic research programme operating under the Center for Middle Eastern Studies of Harvard campus in Cambridge, MA, with the initial grant from Dār al-Māl al-Islāmī. The HIFIP is committed to the collection, analysis and dissemination of information on the Islamic financial sector. In adherence to its goal of becoming the international clearing house of information in the field, the programme aims at ongoing development and periodic publication of its original Islamic finance software package on CD-ROM – the HIFIP Databank.

ḥikr or ḥukr *Lit:* Ground rent. *Tech:* Relating to the law of *ʿawqāf*, it refers to the long-term lease of *waqf* property, where the *waqf* gets a lump sum of money approximately equal to the capital value of the property with a right to receive monthly or annual nominal rent. The latter sum is usually a token to keep alive the ownership of the *waqf*. In return, the lessee has the right to utilize the property in any manner he likes. The heirs of the lessee inherit the property. The lessee can also sell the property with the buyer owing the nominal rent to the *waqf*. A similar system is prevalent in the Indo-Pak subcontinent and is known as *pagari* system.

al-ḥilm *Lit:* Being mild, gentle, clement. Restraining oneself at a time when the spirit is roused to anger. *Tech:* Relating to mutual relations of trade, employment and *qard* (debt), the aggrieved party is required to keep his cool and show *al-ḥilm* towards others. It is one of the values of the Muslim society.

al-ḥimā *Lit:* Grazing lands for the cattle. *Tech:* Those pieces of land which are meant for grazing of the state cattle. On this land, individual ownership is not permitted. The Islamic state has an inherent right to declare any remote or commonly used meadow as *al-ḥimā*, but the

state cannot appropriate any individual's private property for this purpose.

al-ḥimāyah See **al-talji'ah**.

al-ḥiml Relating to the law of *zakāh*, it is a measure of weight equivalent to one *wasq* or 60 *ṣā'*. According to Ḥanafites it is equal to 192.69 kg or 201.72 kg, while the rest of the jurists consider it equal to 130.32 kg or 164.88 kg.

al-ḥiqqah Relating to the *niṣāb* for *zakāh*, a young (grown-up) she-camel in her fourth year. Such a she-camel is fit for becoming pregnant and for carrying load.

al-ḥisbah *Lit*: Reward, calculation. *Tech*: An institution that existed throughout the Muslim history for implementing what is proper and preventing what is improper. The main role of *al-ḥisbah* remained the regulation of markets and provision of municipal services. The department of *al-ḥisbah* used to have a head with technical staff well versed in various products and processes. The department was often assisted by the police. The *al-ḥisbah* staff used to summon recalcitrant debtors to pay their debts, prevent too heavy charges required by ships and street porters, destroy old and weak houses that were near falling off and check accuracy of the weights and measures.

al-ḥiyal (sing. *al-ḥīla*) *Lit*: Artifices, strategic tricks and devices.

HSSB (Higher Sharī'ah Supervisory Board) Initially established by the International Association of Islamic Banks (IAIB) in 1983, it was also set up in the Sudan in 1992 as an advisor to the Finance Minister. The main functions of the HSSB includes: scrutiny of the decrees issued by the *sharī'ah* supervisory boards of the Islamic banks; supervision and control of the operations of the Islamic banks for compliance with the

sharī'ah; advice on any matter referred by any member institution. Decisions of the HSSB are binding on members of the IAIB.

al-ḥubs (pl. *al-'aḥbās*) An alternate term used for *al-waqf*, mostly in North Africa.

al-ḥukrah *Lit.*: Hoarding of goods. *Tech.*: Hoarding of foodstuff with a view to creating a shortage in the market and pushing prices up. An alternate term for **'iḥtikār**.

ḥulwān See **'iltizām**.

ḥulwān al-kāhin *Lit.*: Sweets offered to a sorcerer. *Tech.*: The earnings of a fortune teller in whatever form they may be.

I

al-'iārah Lending some durable article for temporary use.

'isār *Lit.*: Poverty; financial straits; insolvency. *Tech.*: A condition of financial stringency when a debtor is not left with any asset to meet his debts. The *Qur'ān* enjoins that such a debtor be given relaxation either in the time for repayment or by forgiving all or part of the debt. It is distinct from insolvency under the law. In case of insolvency, the debtor still owns some assets to pay his debts partly. But in case of *'isār*, he has no asset to meet his debt obligations.

IBID (Islamic Bank International of Denmark) Islamic Bank International of Denmark was the first fully fledged Islamic bank in Europe. The capital was 30 million Danish kroner. Its main aim is to promote the business of Scandinavian companies connected with the

Islamic world, to serve other Islamic banks and to provide normal banking activities. IBID claims to operate on a non-interest basis. The parent company, Islamic Banking System (IBS), has among its shareholders the Kuwait Finance House, Abu Dhabi's Ministry of 'Awqāf and prominent Muslim individuals.

IBP (Islamic banks' portfolio) A scheme of the Islamic Development Bank Jeddah, established in 1987 in collaboration with 20 Islamic banks and financial institutions. The IBP, an investment pool of US\$ 380 millions in 1999, became operational in 1988, mobilized the available liquidity with the Islamic banks and channelized it toward trade finance operations, leasing modes of investment, with special emphasis on the private sector.

ibn labūn Relating to the *niṣāb* for *zakāh*, a 2-year-old male camel.

ibn makhāḍ Relating to the *niṣāb* for *zakāh*, one-year-old male camel.

ibn al-sabīl *Lit:* Traveller. *Tech:* One of the eight heads of account on which *zakāh* funds may be expended. The *zakāh* can be spent to help a traveller if he has fallen short of funds during the journey even though he is a rich person at his home station.

al-‘ibrah During the ‘Abbāsīd period (AD 750–945), it referred to the average rate of tax for each locality or area. The average was calculated on the basis of the lowest and the highest revenues of the previous years.

‘ibtighā’ faḍl Allah *Qur’ānic* term for economic struggle. It implies that struggle to earn livelihood is a part of the overall effort to achieve *al-falāḥ* in the hereafter. Whatever a person earns is a *n‘imah* (gift) or *faḍl* from Allah and one will have to account for it on the Day of Judgement.

ICB unit certificates Investment certificates issued by the Investment Council of Bangladesh, which is a governmental non-banking financial institution, mainly operating on the basis of interest. But the Council also mobilizes funds on the basis of *muḍārabah*. The funds collected on this

account are kept separate from other interest-bearing deposits. The certificates are redeemable and negotiable at stock market. The return is distributed among certificate holders after the Council deducts its commission.

ICCICE (Islamic Chamber of Commerce, Industry and Commodity Exchange) Established in 1978 at Karachi, as an organ of the OIC, it promotes industrial cooperation by Islamic joint ventures.

ICD (Islamic certificates of deposit) A financial instrument developed by Islamic banks to mobilize savings. The certificates are issued for different denominations and for different maturities. The Islamic banks act as *mudārib* for collecting these funds and have the right to invest them on any project they deem fit. The rates of profit and loss sharing are determined at the time of issue. The banks also announced to repurchase the certificates at any time after the sale of the certificates. The banks announced the repurchase price periodically.

ICDT (Islamic Centre for Development of Trade) Established in 1981 at Casablanca (Morocco) as an organ of the OIC, it aims at regular commercial contacts among member countries and promotes harmonization of commercial and investment policies of the Islamic countries.

ICECSA (The Islamic Commission for Economic, Cultural and Social Affairs) Formed in 1976, as an organ of the OIC, it reports to the Conference of Foreign Ministers. It supersedes the Permanent Commission of Economic Experts and the Commission of Economic Experts and Representatives.

ICHC (Islamic Corporation of Housing Finance) A Canadian corporation of private Muslims for financing house purchased on interest-free basis. Found in 1980 with 16 members, in 1993 it had over 900 members. A person can become a member with a token sum and has to contribute a minimum of C\$ 600 as annual savings. Once a person has accumulated a certain level of savings, he could request to buy a house. The corporation uses the accumulated savings and makes up the difference of the sale price as a co-owner of the house. The rent of the house is assessed

and the person buying the house gets a reduction in the rent in proportion to his accumulated savings. From then on, the buyer of the house continues paying the rent and the annual savings as before. Every year, the rate of rent to be paid to the corporation is reduced in proportion to the accumulated savings of the person. At the end, the person owns the house fully. The rent earned by the corporation is distributed among the members in proportion to their capitals after deducting the administrative expenses.

ICIIEC (Islamic Corporation for Insurance of Investment and Export Credit) An independent institution affiliated with IDB Jeddah, it commenced business since 1995 and by December 1998, 34 countries of the OIC had signed the Articles of Agreement. It had a capital of US\$ 150 million. The Corporation issued insurance policies to cover capital invested in export trade.

ICVTTR (Islamic Center for Vocational and Technical Training and Research) Established at Dhaka in 1978 as an organ of the OIC, it helps to meet the demand for technically qualified manpower in the Islamic countries.

'iḍā'at al-māl *Lit:* Wasting of wealth, squandering. *Tech:* Dissipation of wealth in any manner not allowed by the *sharī'ah* including dumping of goods in the sea to create scarcity in the market. Other examples are: setting on fire or destroying goods or assets in a selfish manner.

IDB (Islamic Development Bank Jeddah) Established as a result of a decision by the OIC in 1975, the IDB Jeddah is owned by member countries of the OIC. Since 1413 AH (1992) the authorized capital had become ID 6.000 billion (SDR 6.000 billion) divided into 600 000 shares of 10.000 *dinārs* each. The subscribed and paid-up capital of the bank at the end of 1418 AH was ID 4.000 billion and ID 2.257 billion, respectively. All member countries have subscribed to the capital but the major contributors are Saudi Arabia, Libya, Kuwait and the UAE. There were 52 member countries of the bank at the end of year 1418 AH. The bank provides development finance to the Muslim countries on the basis of various Islamic modes of finance such as *mushārahah*, *muḍārabah*, *murābahah*, *'ijārah* and *qard ḥasan*. The bank claims to follow the

principles of the *sharī'ah* in all its business. It also promotes trade among member countries and encourages setting up of Islamic banks. It has arrangements for in-house research on Islamic banking and economics. See also **Islamic Research and Training Institute or IRTI**.

IDB export financing scheme The IDB Jeddah launched its Export Financing Scheme (EFS) in the year 1407 AH with the objective of expanding its trade financing activities to facilitate export of commodities from member countries. The scope of the market has been expanded to include OECD countries. The EFS has its own membership capital. At the end of 1418 AH, there were 23 members with a subscribed capital of ID 315.5 millions of which ID 133 million was paid up. At the end of year 1418 AH, the bank had approved operations worth ID 306 million under the scheme.

IDB import trade financing operation Since 1977, the IDB Jeddah has been providing trade finance to promote trade among member countries. The *modus operandi* is purchase of goods and their re-sale to member countries with a mark-up on deferred payment basis. By the end of year 1418 AH, the bank had approved import trade financing operations (ITFOs) to the extent of ID 8335 millions for 32 countries.

IDB infrastructure fund Launched in October 1998 in Washington, this US\$ 1.5 billion fund is focused on infrastructure development throughout the Muslim world. The Islamic Development Bank Jeddah had committed \$ 250 million and *Dār al-Māl al-Islami*, Geneva had committed \$ 200 million. It was a limited partnership with equity capital target of US\$ 1 billion and complimentary Islamic finance facility of US\$ 500 million. Minimum contributions are US\$ 10 million from institutional and private investors in IDB member and non-member countries and target returns are 18–20 per cent. Emerging Markets Partnership, a Washington-based company manages this fund. The target sectors are: power, telecommunications and petrochemicals.

IDB investment deposit scheme A scheme of the IDB Jeddah started for financing foreign trade operations. The IDB accepts deposits of a quarter of million US dollars from governments, institutions and individuals.

IDB prizes In the year 1408 AH, the IDB Jeddah instituted two prizes, one each for outstanding contribution in Islamic banking and Islamic economics. The amount of the prizes is ID 30 000. The IDB gives one prize each year alternatively for contribution in Islamic economics and Islamic banking.

IDB technical cooperation programme The technical cooperation programme of the IDB Jeddah is devoted to the promotion of human resources development in member countries. The programme provides for on-the-job training, study, familiarization visits, organization of workshops and seminars. Priority areas are: agriculture, industry, financial reforms, infrastructure, education, health, transport, telecommunication, solar energy, environment, science and technology. By 1419 AH, the IDB had provided funds to the extent of US\$ 1.7 million for this purpose.

IDB waqf fund The IDB Jeddah established the fund in 1997, by transferring US\$ 1.5 billion from the Special Assistance Account. The fund supports Muslim communities living in non-Muslim countries. It provides assistance for educational and health projects, emergency relief for natural catastrophes like earthquakes, floods or droughts. By the end of 1998, the fund had supported 474 proposals in 63 communities to the extent of US\$ 164 million. Besides, for relief to the emergency-stricken people, it had extended help to the extent of US\$ 309 million. By the end of year 1418 AH, it had net assets worth ID 0.885 billions.

IDB unit investment fund The IDB Jeddah launched the fund in 1990, with an initial capital of US\$ 100 million and then increased it to US\$ 325 million by 1998. The fund purchased leasing and instalment sales contracts from the IDB and thus refinanced the bank's activities. The fund also undertook investment on its own account to enhance the investment activities of the bank.

IDS (Islamic debt security) It is an Islamic financial instrument started by Bank Islam Malaysia in 1994. The issuer intended to get re-finance for one of its existing interest-free debts. The purchasers of the security provided cash for the debt equal to the par value of the debt on the basis of *muḍārabah*. The issuer shared the profit with the investors at a pre-determined ratio.

IFDS (Islamic Financial Data Services) A private company established in 1998 based in London and Kuala Lumpur with the objective of producing a multimedia directory of Islamic Banking and Insurance on CD-ROM and to issue an electronic journal on the Internet for Islamic financial community. It had a paid up capital of £ 100 000. The first edition of the directory came out in August 1999. The Internet journal is also being published by the title of 'IFDS E-journal for Islamic Banking and Insurance'. Website address is: <http://www.ifds.net>.

'iflās *Lit:* Bankruptcy; insolvency. *Tech:* Financial condition of a person in which his liabilities exceed his assets.

IFSTAD (Islamic Foundation for Science, Technology and Development) Established in 1978 at Jeddah, as an organ of the OIC, it collects and disseminates information on research facilities of the Muslim world and coordinates activities in the field of science and technology.

al-'īghār Historically, a fief protected from the interference of tax collectors, supervisors or their agents. For such protection a yearly levy was imposed in the name of the 'Imām or the treasury or military authorities, depending on who provided the protection.

al-'ihrāz Relating to the law of ownership, it refers to securing or taking possession of things not already owned by someone else.

al-'iḥsān *Lit:* Beneficence. *Tech:* *Al-'iḥsān* is to accept readily and ungrudgingly while receiving, a smaller share than what is due and to give, while paying back, a share larger than what is due. *Al-'iḥsān* is an important value of the Muslim society. It is over and above the legal equality of justice (*al-'adl*) and is practised voluntarily.

al-'iḥtikār The hoarding of commodities of any kind, particularly food-stuff, with a view to creating artificial scarcity and rise in price.

'ihyā' al-mawāt *Lit:* Revival of dead lands. *Tech:* Development of ownerless lands (*al-mawāt*) to make them productive. See also **al-'arḍ al-mawāt**.

'ihyā' al-tamlīk The process of development of a dead land that entitles a person to claim its ownership. It includes cultivation, plantation and irrigation, etc.

IIIBE (International Institute of Islamic Banking and Economics)

Established on 25 March 1981 by the *Dār al-Māl al-'Islāmī* in Cyprus for the training of staff for the growing network of Islamic banks and for research in Islamic economics. The Institute was closed in 1984.

IIC (Islamic Investment Certificate) A financial instrument developed by Islamic banks for mobilizing savings. The certificates are of different denominations and for different maturities. The Islamic bank announces to invest the sale proceeds of these certificates in specified projects. The feasibility studies or past performance of these projects is made known to the buyers of these certificates. The profit or loss ratios are also announced at the time of floatation. The bank agrees to repurchase the certificates any time after the sale at the announced price.

al-'ijār Historically, a class of privileged landlords who were not subjected to arbitrary taxation. The tax on their land was fixed once for all. It was not increased on any pretext nor was a concession given to them if the land became waste or the crop failed. The privilege was enjoyed by the landlord and his descendants.

al-'ijārah *Lit:* Letting on lease. *Tech:* Sale of usufruct of an asset in exchange for definite reward, but it is commonly used for wages. Also, it refers to a contract of land lease at a fixed rent payable in cash. It is contrary to *muzār'ah*, when rent is fixed as a certain percentage of the produce of land. It also refers to a mode of financing adopted by Islamic banks. It is an arrangement under which the Islamic bank leases equipment, a building or other facility to a client against an agreed rental. The rent is so fixed that the bank gets back its original investment plus a profit on it. The conventional lease financing distinguishes between operating lease and financing lease. In the Islamic framework, *al-'ijārah* represents conventional operating lease. But Islamic *al-'ijārah* financing (called *al-'ijārah muntahia bit tamlīk*) is distinct from the conventional lease financing in the following respect. The conventional financing lease applies to intangible assets while the Islamic lease financing also

applies to intangible assets such as right to collect rentals of an infrastructure as toll of a bridge. See also **ṣukūk al-'ijārah**.

'ijārah expense Instalment of rent paid for leasing an asset are shown as *'ijārah* expense in the books of the lessee.

'ijārah fāsīdah *Lit:* Voidable contract of tenancy. *Tech:* A contract of land tenancy is voidable if one of the following items are not exactly specified in it: (i) size, quality and location of the land; (ii) use to which the land would be put; (iii) duration of the tenancy; and (iv) amount of the rent. The contract of tenancy also becomes voidable if it contains stipulations that constitute one-sided charges to the advantage of either party.

'ijārah al-'istihlāk *Lit:* Tenancy of consumption. *Tech:* A contract of tenancy in which the tenant rents a garden to consume the fruit growing in it.

'ijārah muntahia bitamlīk Lease (*'ijārah*) contracts that end up with transfer of ownership of leased assets to the lessee. It can take one of the following forms: (i) A contract that transfers the ownership of leased assets to the lessee – if the lessee so desires – for a price represented by the rental payments made by the lessee over the lease term. At the end of the lease term, legal title of leased assets passes automatically to the lessee without further contracting. (ii) A contract that gives the lessee the right of ownership of leased asset at the end of the lease term for a specified price, which may be a token price. (iii) A contract that gives the lessee one of the three options that he may exercise at the end of the leased term: purchasing the leased asset for a price that is determined based on rental payments made by the lessee; renewal of *'ijārah* for another term; returning the leased asset to the lessor (owner). (See also **operating 'ijārah**.)

'ijārah revenue Instalments of rent received on leased assets by the financial institutions.

al-'ijārah wa al-'iqtinā' A mode of financing adopted by Islamic banks. It is a contract under which the Islamic bank finances equipment, building or other facility for the client against an agreed rental together with

an undertaking from the client to make additional payments in an account which will eventually permit the client to purchase the equipment or the facility. The rental as well as the purchase price is fixed in such a manner that the bank gets back its principal sum along with some profit which is usually determined in advance.

al-'ijārah bi shart al-tamlīk It is leasing of property to a party on the condition that it shall be sold to him after an agreed period on terms and conditions mentioned in the agreement of lease.

al-'ijārah thummā' al-ba'i *Lit:* Lease followed by sale. *Tech:* A form of Islamic financing arrangement for infrastructure projects, under which the infrastructure company would sell the underlying project like a road to the financiers for cash. The financiers, as owners of the project, would then lease back the project (in this case the road) to the infrastructure company. The infrastructure company issues '*ijārah* certificates (*ṣukūk al-'ijārah*) in favour of the financiers. The financiers have the option of selling these '*ijārah* certificates at stock exchange. After the expiry of the lease, the infrastructure company has the option to purchase back the asset from the financiers.

'ijārah contract A combination of '*ijārah* and *mushārah* contracts.

al-'ijmā' *Lit:* Consensus. *Tech:* Consensus of the jurists (*mujtahidūn*) on a certain question in a certain age. It is of two broad types: (i) '*ijmā' qaūlī*, in which all the jurists give their opinion explicitly; and (ii) '*ijmā' sukūfī*, in which some express their opinion but others do not oppose it.

al-'ijtihād *Lit:* Effort, exertion, industry, diligence. *Tech:* Endeavour of a jurist to derive or formulate a rule of law on the basis of evidence found in the sources.

al-'ikhtilāf Relating to the law of partnership, it refers to intermingling of two investments so that they cannot be distinguished any more.

al-'ikhtiyār A variant of *al-khiyār* (the right to rescind the contract) applied to denote options in the contemporary financial and stocks

markets. It is of two types: (i) 'ikhtiyār al-ṭalab (call option); and (ii) 'ikhtiyār al-daf' (put option). The period to exercise the option is called *fatrah al-'ikhtiyār*.

'ikhtiyār al-daf' See **al-'ikhtiyār**.

'ikhtiyār al-ṭalab See **al-'ikhtiyār**.

'ikrāh *Lit:* Coercion. *Tech:* Imposing a contract or a condition on an unwilling party.

al-'ikhtināz *Lit:* To accumulate, to amass, to hide wealth. *Tech:* Accumulation of wealth without paying *zakāh* due on it. It also refers to unproductive accumulation of wealth.

'iktisāb al-ḥalāl Struggle for earning livelihood through lawful means. It is an important value of the Muslim society.

'iljā' lands See **al-talji'ah**.

'ilm al-'iqtisād al-'Islāmī *Lit:* Islamic economics. *Tech:* It has been differently defined by different scholars. Some of the definitions are: (i) Islamic economics is the knowledge and application of injunctions and rules of the *sharī'ah* that prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and the society. (ii) Islamic economics aims at the study of human *falāḥ* achieved by organizing the resources of earth on the basis of cooperation and participation. (iii) Islamic economics is the study of the behaviour of the Muslims who organize the resources, which are a trust, to achieve *falāḥ*.

'ilm tadbīr al-manzil The science of economics, as referred to in medieval Muslim sources. The goal of this knowledge was management of the household. The economy of the home included the totality of all its human relationships. Home economy was not formed by the market

but concentrated on home and farm. It united ethics, economics and politics. Despite an urge for material gain, the motives for enterprise were different from the factory production of modern capitalism. The *'ilm tadbīr al-manzil* studied the concept of the 'whole house' as distinct from modern economics which emerges from a market economy and concentrates on material aspects of life only.

'ilm al-yaqīn Knowledge acquired by reasoning or inference.

'iltizām A system of tax-farming introduced in Egypt in AD 1658. Under the *'iltizām*, the ruler (*walī*) auctioned off whole districts, villages or even individual farms. The buyer (*multazim*) would become the government's tax collector or representative. The *multazim* had to pay a tip of sorts, in advance, called the *ḥulwān* which was equal to a year's sum of taxes due from the locality. The *multazim* was then obligated to pay the amount of his *'iltizām* in three instalments a year. This amount was called the *mirī*. In addition, the *multazim* had to pay special taxes called *mudāf*. The *multazim*, in turn, leased the land to peasants for four or five times the amount of the *mirī*. The peasants were also obligated to pay several additional taxes such as the *barrānī* and *khushūfīyah*. The *barrānī* was a payment in honey, chicken and the like to support the *multazim* and his retinue, while the *khushūfīyah* was a levy to support irrigation projects, fix bridges and pay local guards. Around the eighteenth century, the state also imposed unofficial taxes such as *raf 'aly mazālim* and *al-maghārim* on both the *multazim* and the peasants. Consequently, the *multazim* was often forced to borrow at high rates of interest to meet his obligations. Eventually, Muḥammad 'Alī abolished the *'iltizām* system in AD 1812.

al-'imān *Lit:* Faith. *Tech:* Faith in the oneness of God, in Muḥammad's apostlehood and his finality, in the Day of Judgement, in the unseen realities like angels, revelation, paradise, hell, etc.

'imān bil ghā'ib *Lit:* Faith in the Unseen. *Tech:* A Muslim's faith in God, prophets, revelation, paradise, hell, angels, etc. *'Imān bil ghā'ib* is a cornerstone of the value system that governs the Muslim society. It induces a behaviour that is richly imbued in the obedience of God and the Prophet, and a high sense of accountability on the Day of Judgement.

'imārtul 'arḍ *Lit:* Development of land. *Tech:* Populating the earth, making progress or prosperity, initiating productive activity, maintaining the land in proper shape, and so forth.

al-'inān al-'āmmah Relating to the law of partnership, a type of *shirkah al-'inān*, comprehending a variety of business operations as against *al-'inān al-khāṣṣah*, which is limited to a single purchase and sale operation.

al-'inān al-khāṣṣah See **al-'inān al-'āmmah**.

al-'infāq *Lit:* Spending, expenditure. *Tech:* Spending to seek Allah's pleasure, whether to discharge a liability or voluntarily, on the poor, needy or to meet social needs. *Al-'infāq* also covers one's expenditure to meet one's own personal needs and those of the family.

al-'infāq al-taṭawwu' *Lit:* Voluntary spending. *Tech:* refers to voluntary spending in the cause of Allah or for helping the needy people. It is used in comparison to obligatory spending (*nafaqāt al-wājibah*) where one has an obligation to bear the expenses of his relatives and dependents.

interest English language equivalent for the *Qur'ānic* term *ribā*, according to majority of the Islamic scholars.

interest-free banking See **Islamic banking**.

internal sharī'ah review An independent division or department or part of internal audit department of an Islamic bank. Its functions include examination and evaluation of the operations of the banks with a view to determining the extent of compliance with the *sharī'ah* rules, guidelines and *fatwas* issued by the *sharī'ah* supervisory board.

International Association of Islamic Banks Set up in 1977, the objective of this organization is to promote and foster the Islamic banking movement. It is an affiliate of the OIC.

International Institute of Islamic Banking and Economics See **IIIBE**.

International Leasing and Investment Company A leasing company incorporated in Kuwait in May 1999 with a capital of US\$ 50 million. The shareholders include IDB (33 per cent), Japan's Itochu Corporation (3 per cent), and seven Kuwaiti entities. The company focuses on medium- to long-term leasing opportunities.

International Trade Fund A fund operated by the National Commercial Bank of Saudi Arabia. The ITF collects money by selling units to investors. Each unit represents a share of the ITF's investment. The resources of the ITF are used in *murābaḥah*-based trading transactions by purchasing commodities from suppliers and selling them on deferred payment basis. The profits generated from this activity are added to the ITF, increasing the value of each unit. The ITF provides short-term investment as the maximum period allowed on any single transaction is one year. The ITF portfolio has an average life of approximately 3 months.

investment assets With reference to Islamic banks, they are investments in financial instruments using any of the suitable Islamic financial instruments.

investment risk reserve With reference to Islamic banks, it is the amount appropriated out of the income of investment account holders, after allocating the *muḍārib*'s share, in order to provide a cushion against future losses for investment account holders.

involuntary public borrowing In a scenario where the government cannot borrow funds on interest, it is an option suggested by some writers. The government may acquire interest-free loans compulsorily and on the basis of its authority from individuals, corporations, commercial banks and the central bank. These loans would be in the nature of a refundable tax.

al- 'iqālah *Lit:* Cancellation, revocation. *Tech:* Cancellation or revocation of a contract of sale. There is a detailed code on *al- 'iqālah* in the texts of jurisprudence.

al-'iqṭā' *Lit:* Act of bestowing a *qaṭī'ah* (a cut-off piece). *Tech:* A piece of land donated by the state in the public interest subject to state taxes to a person for self-cultivation. Sometimes the ownership is passed on to the donee but at other times only the right to derive benefit is granted and the ownership remains with the state.

'iqṭā' al-'amīr Donating a piece of land by government to an individual to enhance or protect public interest.

'iqṭā' al-'ijārah A piece of land donated to someone by state on the basis of rent. The ownership rights remain with the state which can always dispose it off in any other manner. See **'iqṭā' al-tamlīk**.

'iqṭā' al-'irfāq See **al-'irfāq**.

'iqṭā' al-'istighlāl Assigning of tax revenue to a person by the state relating to a particular land or area. The donee is authorized to collect *kharāj* from the people and to keep it with himself. He is not required to deposit it with the public treasury. In this case, the land itself is not subject of donation. This type of donation was prevalent during medieval Islam.

'iqṭā' al-ma'ādin The pieces of land donated by the state containing mineral deposits.

'iqṭā' al-tamlīk A piece of land donated by the state on a permanent basis without any liability for tax. Such an *'iqṭā'* is treated as private property of the person to whom it is donated. The land donated could be dead land (*mawāt*), arable land or land containing minerals (*ma'ādin*).

al-'iqṭiṣād *Lit:* To adopt a middle course. *Tech:* To be moderate between extravagance (*'isrāf*) and miserliness (*bukhl*). *'Iqṭiṣād* is one of the important values of the Muslim society.

al-iqtiyāt *Lit:* Foodstuff. *Tech:* Relating to the law of *ribā al-faḍl*. According to some jurists, one of the causes for the prohibition of

ribā al-faḍl lies in the articles of exchange being foodstuff (*al-iqtiyāt*). See also **ribā al-faḍl**.

irdabb A measure of volume for measuring wheat, barley and beans used in Makkah during the Mamlūk period (AD 1250–1517); equal to 90 litres.

al-'irfāq Concessions in public property such as market places or inaccessible mines given to individuals on payment of certain duties or taxes. They are also known as '*iqṭā' al-'irfāq*'.

'irq al-zālim Unlawful cultivation of a land owned by another person.

'irṣād *Lit.*: To keep ready. *Tech.*: Setting aside by government the income from *bait al-māl* for specific expenditures. It is distinct from *waqf*, which is usually a private property at the time of creating a *waqf* while '*irṣād*' is in public ownership to begin with. The Ḥanafites also use this term to denote income of a *waqf* property that is set aside to settle any debts on the *waqf*. For example, if a tenant of a *waqf* property carries out renovations or extensions of the property, he is entitled to reimbursement of his actual cost from the *waqf* income. Till the time his cost is reimbursed, the income of the *waqf* will be set aside for meeting the claim of the tenant on a priority. This setting aside of the income is known as '*irṣād*' in the Ḥanafite *fiqh*.

IRTI (Islamic Research and Training Institute) Established by the IDB, Jeddah, in 1981, it conducts theoretical and conceptual research in the field of Islamic economics and law as well as policy-oriented research regarding Islamic banking, development finance and economic cooperation among Islamic countries. It also extends training to personnel engaged in economic development activities in the bank's member countries. IRTI also organizes seminars and conferences on subjects relating to Islamic banking, finance and economics. It publishes a bi-annual refereed journal in Arabic and English known as *Islamic Economic Studies*. In order to recognize and encourage activities of outstanding merit in Islamic economics, banking and finance, IDB awards annually a prize alternating between Islamic economics and Islamic banking and finance. IRTI invites the prize winners to deliver a lecture

on a topic of current interest. The IRTI is working on the development of a number of information systems.

'irtifaqāt *Lit:* Adopting convenient ways, helping devices, beneficial methods, useful technology and good manners in one's life. *Tech:* Shah Wali Allah used it to denote four stages of socioeconomic development. The first stage is primitive society. The second stage is when the society organizes itself, adopts division of labour, develops trade, hiring, credit, modes of fair dealings and mutual cooperation. At the third stage, a city state comes into being with proper governance. At the fourth stage, a super authority that controls and wields power over all the city states comes into being. Shah Wali Allah combines the concept of socioeconomic development with the concept of securing the pleasure of Allah (*riḍwān* Allah) and termed it as *iqtirabāt* that is, ways and stages of purifying and spiritually developing oneself.

ISA (Islamic Shipowners Association) Registered in Jeddah in 1982, became operational in 1987. By 1992, it had 40 shipping companies relating to 16 countries as its members. It came into being under the overall umbrella of OIC.

Islamic Bank Bangladesh Limited Incorporated on 13 March 1983. Besides a head office, it has 16 branches in Bangladesh. Authorized capital, taka 500 million; paid-up capital, taka 79.5 million.

Islamic Bank for Western Sudan Incorporated in 1981. Has a branch at Nyala. Paid-up capital, £S 25 million.

Islamic Bank International of Denmark See **IBID.**

Islamic banking Banking in consonance with the ethos and value system of Islam as compared to conventional banking that conducts its business of borrowing and lending on the basis of interest. Islamic banking is expected not only to avoid transactions on the basis of interest, but also to participate actively in achieving the goals and objectives of an Islamic society. Islamic banking involves a social implication which is necessarily connected with

the Islamic order itself, and represents a special characteristic that distinguishes Islamic banks from the banks based on other philosophies. In exercising all its banking and developmental activities, the Islamic bank takes into prime consideration the social implications that may be brought about by any decision or action taken by the bank. Profitability – despite its importance and priority – is not, therefore, the sole criterion in evaluating the performance of Islamic banks, since they have to match both between the material and the social objectives that would serve the interests of the community as a whole and help achieve their role in the sphere of social mutual guarantee. Social goals are understood to form an inseparable element of the Islamic banking system that cannot be dispensed with or neglected. Islamic banking started as a movement in the Muslim countries in the early 1970s. The IDB, Jeddah was the first international bank to be set up on the principles of the Islamic *sharī‘ah*. Since then, several countries have tried to set up Islamic banks in their countries. They include some of the European countries as well. By the end of 1999, there were over 200 Islamic financial institutions around the globe handling funds worth more than US\$ 200 billion.

Islamic Banking System See **IBID**.

Islamic banks’ portfolio See **IBP**.

Islamic Centre for Development of Trade See **ICDT**.

Islamic Centre for Vocational and Technical Training See **ICVTT**.

Islamic certificates of deposits See **ICD**.

Islamic Chamber of Commerce, Industry and Commodity Exchange
See **ICCICE**.

Islamic Commission for Economic, Cultural and Social Affairs See
ICECSA.

Islamic Cooperative Housing Corporation See ICHC.

Islamic Corporation for Insurance of Investment and Export Credit
See ICIEC.

Islamic credit card It is an Islamic alternative to the conventional credit card. It has been suggested by some to operate as follows. The customer agrees to place X amount of funds into an investment account with the bank. The bank holds these funds, for purposes besides investment, as a security for the credit card. The customer has the facility of having liquid funds for his purchases while his own funds are accruing value through investment on the basis of *muḍārabah* or *mushārahah*. The customer meets his payments, as usual, on a monthly basis. The bank has the safeguard of the investment account in case of default. The funds attracted by these credit cards can also be used for regional development projects in which the investors will have interest.

Islamic debt securities See IDS.

Islamic Development Bank Jeddah See IDB.

Islamic dinār Currency used to denominate share capital and financing operations of IDB, Jeddah. The value of one Islamic *dinār* equals one SDR of the International Monetary Fund (IMF).

Islamic Economic Development Foundation of Malaysia Established in 1976 as a trust under the Trustees Act, the Islamic Economic Development Foundation of Malaysia aimed to collect voluntary donations from the public and utilize them for the development of Muslims in various fields of education, welfare and economic development. By 1993, it had assets over RM 50 million and had distributed over RM 13 million to the public. It provides interest-free loans to the poor. It has created a subsidiary organization known as '*Amānah Ikhtiār Malaysia* (AIM) for the purpose of managing its interest-free loans operation.

Islamic Financial Data Services See IFDS.

Islamic Foundation for Science, Technology and Development See IFSTAD.

Islamic housing debt securitization scheme A housing scheme introduced by Cagmas Berhad Malaysia, it mobilizes funds by issuing 'Bon Mudharabah Cagmas' (BMC). The BMCs are issued on the basis of profit-sharing. The bondholders and Cagmas share the profit based on specific profit-sharing ratios. Cagmas uses these funds to purchase existing Islamic housing debts of Bank Islam Malaysia Berhad (BIMB) and other Islamic financial institutions at a discount. The discount represents profits to be shared between Cagmas and BMCs holders.

Islamic Instruments Study Group (IISG) The Securites Commission Malaysia set up IISG on 10 October 1994 to provide input and advice in the effort to develop an Islamic capital market. It had four *shari'ah* scholars as permanent members but had also two co-opted members with experience in capital market and banking.

Islamic interbank check clearing system Started by Malaysia from 3 January 1994, the Islamic banks and other financial institutions dealing in Islamic finance participate in this system. It separates the cheques of the participating banks from the conventional cheques. The clearing process works on the basis of *muḍārabah*. At 12 a.m. midnight, during the check clearing, the deficit banks get their deficit automatically financed from the surplus of other banks in the scheme. If there is still a deficit after the round of funding, the central bank steps in and provides funding on the basis of *muḍārabah*. The profit-sharing ratio for this mechanism is 70:30, giving 70 per cent to the investor bank. The repayment is made by the next morning.

Islamic interbank money market Started by Malaysia in 1994, all Islamic banks and those financial institutions which dealt in Islamic finance participate in this market on the basis of *muḍārabah*. One bank with a surplus could invest in another bank which has a deficit. The investment could be for periods ranging from overnight to 12 months.

The profit-sharing ratios which were fixed by the central bank of Malaysia were negotiable from 2 February 1994. The profit-sharing ratios for investments for less than or equal to one month are 70:30 (70 per cent for the capital provider), for periods 1–3 months 80:20, and for periods exceeding 3 months, 90:10. The minimum for interbank investment is RM 50 000 and the rate of return is based on the gross profit rate before distribution for a 1-year investment of the receiving bank. The surplus bank and the deficit bank negotiate on the investment amount, the period of investment, and the profit-sharing ratio, either directly or through a money broker. The surplus bank does not know what the return would be, as the formula would only become concrete figures towards the end of the investment period. At the end of the investment period, the deficit bank returns the principal sum plus the share of the bank's profit from the usage of the funds.

Islamic investment certificates See IIC.

Islamic man The primary character of an ideal Islamic society whose behaviour conforms to the *Qur'ān* and the *sunnah* of the Prophet. The behaviour of the Islamic man is considered rational because it is consistent with the Islamic *sharī'ah*. The Islamic man gives a greater weight to life in the hereafter as compared to life in this world. He does not maximize his utility but seeks the *falāḥ* for himself as well as for others. He is just, benevolent, altruistic and moderate. He fears Allah and thinks himself accountable to Him. He is not materialistic. He fulfils his social obligations without any coercion. He produces, consumes and distributes wealth and income with a view to attain *falāḥ* in the hereafter.

Islamic pawn-broking scheme (skim al-rahnu) A Malaysian scheme to provide interest-free loans to clients of small means. The scheme operates through branches of Bank Rakyat Malaysia. Under the scheme, anybody who qualifies for an interest-free loan offers some gold jewellery as collateral to the bank. The bank provides interest-free loan and charges nominal safe custody charges for the jewellery.

Islamic private debt securities A financial instrument introduced by Malaysia in 1990 when a deferred sale facility amounting to RM 125 million was syndicated by the Bank Islam Malaysia Berhad (BIMB)

for a multinational company. Under this facility, the BIMB arranged a group of financiers who purchased certain assets from the issuer amounting to RM 125 million. These assets were then sold back to the issuer at a mark-up price representing the cost plus a pre-determined profit. The payment was deferred so it became a debt. The company issued a series of promissory notes to the syndicate participants with amounts and maturities dates according to repayment schedules of the debt. The notes became tradeable at the stock exchange.

Islamic rationality The behaviour of an Islamic man signifies Islamic rationality (see **Islamic man**). Implications of Islamic rationality are: (i) moderation in consumption; (ii) consumption for one's own self as well for the sake of Allah; (iii) avoiding consumption of those goods which have been prohibited by the *sharī'ah*; (iv) avoiding hoarding of wealth; (v) taking investment decisions with reference to social responsibility; and (vi) saving not only for oneself but also for others.

Islamic Research and Training Institute See **IRTI**.

Islamic Shipowners Association See **ISA**.

Islamic takāful (takāfol) A form of insurance within the Islamic framework. Conceptually, a group of persons join hands to share risk mutually. They contribute a given sum of money periodically to cover defined risks. In case of loss covered by the scheme, the sufferer gets a financial compensation from the *takāful*. Others meet the loss and share the burden mutually. The funds collected remain invested in Islamically permissible investments and any profit or loss after charging the *takāful* expenses is credited or debited to the accounts of the members. A number of Islamic *takāful* companies exist in several countries. The first one came into being in 1979 and by the end of 1993, there were 20 such companies in the world.

Islamic Takāful Company, Luxembourg Founded in December 1982, for providing an Islamic alternative to conventional insurance, it is operating in the United Kingdom, Germany, Holland and Belgium with headquarters at Luxembourg. It is a wholly owned subsidiary of Dār al-Māl al-Islāmī and had an authorized capital of US\$ 1 billion in 1992.

Islamic Trading Company Established in Bahrain in 1991 with an authorized capital of US\$ 100 million and a paid-up capital of US\$ 20 million, for mobilizing resources of the banks and promoting trade among the Muslim countries.

Islamic transactions certificates Islamic bonds issued by the Islamic Transactions Branches of Bank Misr, Egypt for a nominal value of 1000 Egyptian pounds (or US dollars) and their multiples. The bond was issued for a term of five renewable years. The funds collected were invested by the bank in Islamic projects and the bank had full authority to decide the investment avenues. A monthly return was payable to the holders by the bank but it was finally adjusted at the time of annual results of the enterprise. The certificate holder could recover its value 6 months after the date of its issue and could get an interest-free loan from the Bank with certificates as a collateral.

Islamic trust funding A mode of finance for long-term home-buyers offered by some Islamic banks. Under this mode of finance, the bank purchases the asset on participation basis whereby the other party also contributes 15–20 per cent of the capital. The house so purchased is leased out to the borrower who also becomes the tenant. The bank not only receives the share of its profit, but the borrower also gradually purchases the share of the bank by increasing his own participation.

al-'isrāf *Lit:* Intemperance, immoderateness, exaggeration, waste. *Tech:* Covers: (i) spending on lawful objects but exceeding moderation in quantity or quality; (ii) spending on superfluous objects while necessities are unfulfilled; and (iii) spending on objects which are incompatible with the economic standard of the majority of the population.

al-'istān Historically, taxation incumbent on the rural population of fiefs and state domains. It was usually a certain proportion (*muqāsamah*) of the produce of land (sometimes to the extent of 50 per cent of the produce). This was a distortion of the taxation system of the *sharī'ah*, which prescribed *'ushr* or *kharāj*.

al-'istār A measure equal to 6.5 *dirhams* or 19.5 g.

'istibdāl Relating to the law of *waqf*, it refers to the conversion of a type of *waqf* into another type. Usually, it applied to the conversion of cash *waqfs* into real estate *waqfs*. There were certain conditions which had to be fulfilled before such a conversion was authorized by the state.

istidānah *Lit:* To incur debt. *Tech:* To assume a financial liability of any type such as by way of cash loan for a fixed term or through purchase of goods or by hiring services of a person or by receiving an advance for goods or services to be supplied later. It is a broader concept than *'istiqrād*, which covers only cash loans for a fixed term.

al-istiḥsān Relating to the sources of Islamic law, it is a deviation, on a certain issue, from the rule of a precedent to another rule for a more relevant legal reason that requires such deviation.

'istijrār A financial instrument issued by Pakistan's Muslim Commercial Bank (MCB). It is an Islamic mode of finance, enabling buyers to buy commodities such as cotton, edible oils, pharmaceuticals, etc. conveniently. The sale price payable to the bank is determined by the market forces. The sale price is taken as the average of market prices, during the financing period relating to the particular commodities determined by reliable and undisputed sources. The buyer has an option to fix sale price at any time on or before the due date for repayment provided the market price exceeds the defined upper limit. The price would then be payable by the buyer to the MCB on due date. Similarly, MCB has the option to close the deal under volatile price fluctuations, provided that the market price falls below the defined lower limit. In such cases MCB would declare the pre-determined provisional price to be the sale price, to be paid on due date.

istirdād *Lit:* Reclamation, claim of restitution. *Tech:* Right of a person to claim back anything which originally belonged to him, if the other person took it either through an optional sale (*bai' bil khiyār*), or by a defective contract of *muḍārabah*, *wadī'ah*, *hibah* or anyother unlawful manner.

al-istiṣlāf *Lit:* To borrow. *Tech:* Commercial commitment of the *muḍārabah* agreement by the working party (*muḍārib*) in excess of the capital invested.

'istifā' *Lit:* To receive in full. *Tech:* In a contract of sale, the deal is complete only when the buyer has taken delivery of object of sale in full and in a satisfactory manner.

'istifa' al-qarḍ *Lit:* To receive back the amount of loan in full by the creditor. *Tech:* Used in *ribā*-free banking for the operation of a current bank account by cheque.

al-'isti'fāf To abstain from begging. Begging has been prohibited in the *shari'ah*, except when: (i) a person is under debt and is not finding any means to pay it off; (ii) a natural calamity befalls and destroys one's belonging; (iii) one is poverty-stricken and three persons of his community testify to it. In all these cases, one may beg only to the extent of meeting the above needs. In no case is this to be a regular source of income.

al-'istighnā' *Lit:* Being rich. *Tech:* Feeling rich and independent and thinking oneself capable of independent of even God and His commandments. This is an improper attitude and has been condemned in the *Qur'ān*.

'istiqlāl A legal device practised by the people of Turkey during the Ottoman period (1281–1925) for concealing a usurious transaction. It was apparently a sale transaction but actually a loan contract. The borrower handed over to the lender some real estate, supposedly as a sale, but actually as a pawn. If the borrower redeemed his debt after the agreed period, asset reverted back to him. In the meantime, the lender leased the asset to the borrower (so that the borrower could go on using it) and the 'rent' which was exactly 10 per cent per annum of the loan, was nothing but interest. It was, thus, a transaction of interest-bearing loan with real estate as a security.

al-'istiqrāḍ *Lit:* To raise a loan. *Tech:* In a contract of *muḍārabah* or *shirkah*, the *financier* (*rabb al-māl*) or other partners may authorize the working partners (*muḍārib*) to raise loan in cash for business over and above the business capital.

al-istiṣlāḥ Relating to the sources of Islamic law, it is an unprecedented judgement within the overall *sharī'ah* framework, motivated by public interest but not supported by the *Qur'ān* nor the *sunnah* explicitly.

'istiṣhāb A juristic principle to the effect that a given judicial situation previously existing is held to continue to exist until it can be proved that it no longer exists or has been modified.

'istiṣnā' bonds A proposed financial instrument for raising funds by government. The government can issue these bonds to the public for selling certain assets in the future, (on the principle of *bai' al-'istiṣnā'*) like houses or cars, etc. The bonds will be issued with a mark down on the current market price of the assets or in times of inflation with a guarantee that the current market price will not be increased. The bonds will be non-negotiable. However, the bond holders will be able to get back their money before due date at par value.

'istiṣnā'-cum-installment sale A sale agreement in which the prospective buyer makes a promise to buy specified goods, once they are acquired by the bank. The bank concludes with the producer of goods an *'istiṣnā'* contract to manufacture the goods according to the buyer's specifications. When the goods are manufactured and accepted, they will be sold on installment basis to the buyer who made the promise. See also **two-tier 'istiṣnā'**.

'istiṣnā'-cum-staggered payment arrangement It is a proposed arrangement for financing government operations. In case the government intends to get some facility like a road or bridge constructed, it can sub-divide the whole project into distinct phases and contract out the work on the basis of *bai' al-'istiṣnā'*. It can then agree to pay for each completed phase of the work.

al-'itawāh Originally, a due imposed on foreign traders in return for protection or a tax paid by strangers and all such Arabs whom no alliance had attached to the Qurashite clans. It was paid in money and did not take into account the value of the land. In the later usage it became a gross amount that was paid according to an agreement.

'itrāf *Lit:* Living in ease and luxury. *Tech:* Ostentatious lifestyle involving arrogance and waste. It is a mental state in which a consumer treats others with disdain while he is wasteful in his behaviour. It is distinct from *'isrāf*, which is merely wasting of resources without mental arrogance.

J

al-jadha'h *Lit:* Young man. *Tech:* Relating to the law of *zakāh*, it refers to a she-camel in the fifth year. It is also spoken for a lamb of six months or more.

jahālah *Lit:* Ignorance, folly, foolishness. *Tech:* Doing something without sure knowledge. For example, buying something without knowing its specifications. There is a fine difference between *jahālah* and *gharar*. In a sales transaction, if a person is unsure whether he would be able to get the subject of sale or not, it would be a transaction involving *gharar*. For example, buying a fish still in water, not being sure if it would be possible to catch it or not. But if a person buys something lying in the closed cabinet of the seller, it would be transaction involving *jahālah* as the buyer is sure to get the subject of sale but is not sure about its specifications.

jā 'ihah *Lit:* Calamity, ruin, epidemic, crop damage. *Tech:* Any calamity or accident beyond human control that causes loss to life or property. There are detailed rules for settling various claims arising out of such a situation.

jāgīr An *urdu* word. A piece of land donated to a person by the state. The owner enjoys absolute rights on the land as a feudal lord. The *jāgīr* is generally perceived as an institution of exploitation. The Islamic concept is, however, different. The Arabic equivalent is *al-'iqṭā'*. The donation, in the Islamic state, must be in consideration for significant national service by the donee and the donation must be subject to the laws of the state. By injunctions on other aspects of land tenancy system, possibilities of exploitation have also been minimized. See also **al-'iqṭā'**.

al-jahbadh Financial administrator in the ‘Abbāsīd period (AD 750–945) responsible for maintaining prescribed standards of fineness and quality of gold content and equivalence of various currencies. He used to be the head of a department called *diwān al-jahbadhah*. He acted like an authorized banker to collect state revenues. He used to prepare and submit periodical statements to the government. Usually the *jahbadh* was a commercial magnate (*tājīr*) who owned capital of his own and was able to advance money to the government when the treasury needed it. In some cases, the *ṣāhib bait al-māl* and *jahbadh* were one and the same person.

jalab *Lit:* Imports. *Tech:* Relating to the law of *zakāh*, it refers to the tax-collector’s encampment at a particular place and his orders to the tax-payers to bring their cattle and agricultural produce to his place.

jāmi‘ah *Lit:* An association or a group. *Tech:* An association of persons got together with the purpose of pooling savings and financing the needs of the members on a rotational basis. It is popular in various countries under different names. In Egypt, it is called *jāmi‘ah*. A typical *jāmi‘ah* operates on an annual basis and its members turn over a given sum every month to the administrator of the association. The pooled sum is paid to one member on an agreed sequence basis. Thus, the earlier ones get interest-free finance while the later ones are able to make forced savings.

janab *Lit:* Avoid. *Tech:* Relating to the law of *zakāh*, it refers to act of avoiding the tax-collector by taking away the cattle from its usual location.

al-jār al-janb *Lit:* An adjoining neighbour. *Tech:* Relating to the law of preemption, the lateral owner of an adjoining property (the adjacent neighbour), not belonging to the family. He is a last preemptor in order of priority.

al-jarīb *Lit:* A patch of arable land. *Tech:* A measure of length and weight. One *jarīb* is equal to 1366.0416 m². As a measure of weight, it is equal to 48 *sā‘*. According to *Ḥanafī* jurists it is equal to 156.552 kg or 161.376 l. But according to other jurists it is equal to 104.256 kg or 131.904 l.

jarīdah *Lit:* Newspaper, journal. *Tech:* A primary book of accounting record prevalent in early Islamic history. It is possible that the term ‘journal’ used by the Italian originator of the present-day book-keeping Niccoli Pacioli or ‘zonal’ as it was called in Venice could be a literal translation of the Arabic word *jarīdah*. It was a specialized journal and there were quite a few of these journals for specific purposes. During the ‘Abbāsids period (AD 750–945), 12 specialized accounting books were used. Some of the more famous were: (i) *jarīdah al-naḥaḥāt* or expenditure journal; (ii) *jarīdah al-māl* or funds journal; and (iii) *jarīdah al-muṣādarīn* or journal of confiscated properties.

al-jawālī Poll-tax imposed upon groups of people who had emigrated from their lands and had taken abode in towns. It also refers to tax upon other unsettled people.

al-ji‘ālah (al-ja‘ālah or al-ju‘alah) *Lit:* Stipulated price for performing any service. *Tech:* Undertaking to pay specified fee or compensation for getting a specified service. It involves *jā’il* or employer who pays the fee or wage and an *‘āmil* who performs the service according to the contract. Islamic banks in Iran have started transactions in *ji‘ālah* either as *‘āmilūn* or as *jā’ilūn*. In the former case, the banks stipulate that they can get a job done from others under a secondary *ji‘ālah*, but the ultimate responsibility remains that of the bank. There are provisions for advance receipt of fee or commission.

ji‘ālah certificates Proposed financial instrument for government and private sector. The certificates may be issued by a government body or by a private sector firm and used for the provision of services to the issuing agency against deferred payment. The certificate holders’ income will be the difference between the face value of the certificate and the cost of the service provided to the certificate issuing agency. The certificate holders may use these certificates to purchase goods and services from third parties. Thus, a secondary market of these certificates may emerge.

al-jibāyah A comprehensive term expressing all types of taxes.

al-jizyah *Al-jizyah* is mentioned in the *Qur’ān* (9: 29). The word comes from the Arabic root *jaza*, meaning, to compensate. In this case, it is

a compensation for the security and protection that the non-Muslims have in the Islamic state without fighting for the defense of the country. Historically, the non-Muslims had to pay the *jizyah* on two grounds: for their exemption from the obligation to fight Muslim wars and for exemption from *zakāh*. Conversion of a person to Islam freed him from obligation to pay the *jizyah* but subjected him to *jihād* and *zakāh*. There were different practices and rates in relation to *jizyah* determined in the light of the treaty with the non-Muslims or the way they became subjects of the Islamic state. It is evident from *aḥādīth* that originally, the rates of *jizyah* were considerably lower than *zakāh* on the Muslims. Women, children, old people, the poor, disabled and religious leaders were exempt. Similarly, those non-Muslims who opted to serve in the Muslim army were also exempt. Where the *jizyah* was levied as a fixed amount, the terms *kharāj* and *jizyah* were undifferentiated. But as soon as *kharāj* came to mean land tax and stood in place of *'ushr*, *jizyah* was levied in addition and this represented a tax in lieu of *jihād*. In the former case, the *kharāj* meant *jizyah* in general, but in the latter case, the *kharāj* simply meant land tax; that is to say, that portion of the *jizyah* which was called *kharāj* or the assessment on the produce of the land. *Kharāj* was levied according to the type of land. For example, in Sawād there were three categories of land tax or *kharāj*: (i) land tax based on the measured acreage (*al-kharāj ala masāḥah al-'ard*); (ii) the land tax based on a percentage of the yearly harvest (*al-kharāj 'ala al-muqāsamah*); and (iii) the fixed amount of money (*al-kharāj 'ala muqā'ṭah*).

joint investment account A type of investment deposit accepted by some Islamic banks. These account holders deposit cash with the intention of sharing in profit or loss of the bank arising from the investment of these funds. A joint investment account could be a saving account, notice account or a fixed term account. Each category of the joint investment account has a different weightage system for calculating profit or loss. Profit or loss relating to activities financed from joint investment account funds is accounted for separately from other activities of the bank. The most prominent practitioner of this type of deposit accounts is Jordan Islamic Bank.

Jordan Islamic Bank for Finance and Investment Incorporated on 28 November 1978. Paid-up capital, JD 6 million.

al-ju'ālah An alternate term for **al-ji'ālah**.

al-ju'1 *Lit:* Pay, wages. *Tech:* Historically, financial levy on Muslims who stayed away from war. The funds thus raised were used to equip those who went on military service. In the days of caliph 'Umar 1, sometimes, married people were taxed to equip the bachelors for war.

just price See **fair price**.

al-juzāf *Lit:* Purchasing a certain quantity of thing. *Tech:* Sale transaction of an article without weight, measure or count.

K

al-kafāf *Lit:* Sufficiency. *Tech:* The standard of living that provides subsistence and honour in a Muslim society.

al-kafālah *Lit:* Surety, bail, guarantee. *Tech:* A contract of surety in which a person adds to his responsibility or liability on behalf of another person in respect of a demand for something.

al-kafālah bil darak Providing surety to the buyer for the delivery of a commodity according to specifications. It also refers to performance bond in a contract.

al-kafālah bil māl Providing surety for the payment of price of a commodity bought on credit by another person.

al-kafālah bil taslīm Providing surety for returning a rented asset in proper condition on termination of the lease contract.

kafālatul 'awām *Lit:* Security of people, sponsorship for people. *Tech:* Relating to functions of the Islamic state, it is an important responsibility of the state to ensure for everyone at least those necessities which are essential for the survival and maintenance of human life. It includes food,

shelter, dress and medical aid. But the list will vary according to the socioeconomic conditions of the state. The responsibility of the state does not, however, mean provision of these necessities to all citizens except that the state will assist only those who are in need of help due to some physical, social or economic handicap.

kaffārah (pl. *kaffarāt*) *Lit:* Expiation of sins. *Tech:* Obligations prescribed by the *sharī'ah* for various sins. These obligations are to be discharged, in some cases, by spending money on needy persons.

al-kailjah A measure of weight equivalent to 0.5 *ṣā'*. According to Ḥanafites it is equal to 1.6801kg or 1.631 kg, whereas according to others it is 1.3741kg and 1.086 kg.

al-kalā' *Lit:* Grass, herbage, pasture. *Tech:* It is one of the three things, along with water and fire, which the Prophet explicitly declared as public property and prohibited its monopoly in any form.

al-kalālah Relating to the law of inheritance, *al-kalālah* is a person who has neither parents nor children. His wealth is inherited by brothers and sisters in given ratios (*Qur'ān* 4: 176).

al-kālī Debt whose repayment is postponed. See also **bai' al-kālī' bil kālī'**.

al-kanz *Lit:* A treasure trove. *Tech:* Wealth on which *zakāh* has not been paid. It also refers to unproductive or idle wealth even though *zakāh* has been paid on it.

karā'im al-'amwāl Relating to the law of *zakāh*, it refers to the best animals in a flock.

kasād *Lit:* Obsolescence; non-prevalence of a thing due to lack of general interest. *Tech:* Non-use of a currency by the general public or obsolescence of a currency due to hyperinflation.

al-kāsib *Lit:* Winner, earner, provider. *Tech:* One who makes a living by physical or mental labour. Mostly, the term is used for the self-employed and the business people. It is distinct from *al-'ajr* who 'sells' his labour to someone else.

al-kātib *Lit:* Relating to the law of *zakāh*, one who acts as scribe or clerk to the *zakāh*-collector. He is included in the category of *al-'āmilūn* and is paid out of *zakāh* funds.

al-kayyāl *Tech:* Relating to the law of *zakāh*, the person who measures the *zakāh* collected in kind. He is included in the category of *al-'āmilūn* and is paid out of *zakāh* funds.

al-kazā'im Relating to the law of *'ushr*, it refers to such natural water-courses as rivulets, canals and streams.

al-khafārah See **al-talji'ah**.

al-khabālah *Lit:* Fraud in trade. As a general rule, all cheating and misrepresentation in trade is unlawful in the *sharī'ah*.

khalaf *Lit:* Substitute, succession. *Tech:* Relating to the law of ownership, it refers to securing or taking possession of things through succession under the law of inheritance.

al-khalīṭ *Lit:* Mixed, blended. *Tech:* A partner of a business whose assets cannot be distinctly identified from those of other partners. It contrasts with the *sharīk*, whose assets can be identified distinctly. Also, relating to the law of *zakāh*, it refers to livestock (*al-māshīyah*) owned by two or more partners where it is not specified which animal belongs to whom.

khalṭ māl *Lit:* Combining of property. *Tech:* In the law of *shirkah*, a situation in which partners join the business by combining their wealth or in the case of *muḍārabah*, the entrepreneur combines his own business capital with the capital of the *rabb al-māl*.

al-kharāj Land tax that is levied by the state on the state-owned lands whether the cultivator is a lease-holder or a permanent tenant. The rates can be different in different times. *Al-kharāj* is payable only once in a year, irrespective of the number of crops, except in the case of *kharāj al-muqāsamah* where it is assessed on each crop. See also **al-jizyah**.

al-kharāj bil ḍamān The right to derive benefit from a property if one assumes the responsibility for its maintenance. It states the principle of the Islamic jurisprudence that the yield from an asset is for the one who is liable for that asset and one who does not bear the liability has no claim to the yield. For example, if a person buys a house and then rents it out, but subsequently notices a defect in the house and returns the house to the seller, the seller has no claim on the rent during the period the house remained with the buyer.

kharāj al-jizyah See **al-jizyah**.

kharāj al-muqāsamah Land revenue fixed as a percentage of the actual produce of the land as contrary to *al-kharāj al-muwazzafah*, which is fixed in terms of cash.

kharāj al-muqāṭi‘ah The amount of *kharāj* fixed as a lump sum to be paid by the vanquished enemy as a result of an agreement. This is in contrast to *al-kharāj al-muqāsamah* and *al-kharāj al-muwazzafah*, which are related to the land and its produce.

kharāj al-muwazzafah Land revenue fixed by the state in terms of cash as contrary to *al-kharāj al-muqāsamah*, which is equal to a certain share of the produce of the land.

kharāj al-wazīfah A fixed amount (*dirhams* or *dinārs*) that is assessed upon the land as tax. Also known as *al-kharāj al-muwazzafah*.

kharāj al-zar‘ Rent of land, especially from fiefs (*‘iqṭā’*) donated to someone.

al-khāriṣ Relating to the administration of *'ushr*; the government official deputed to assess the yield of fruit-trees and crops for levying the *'ushr*.

al-kharṣ Assessment of a crop still in growth. Also applied to a sale transaction when the commodity sold is not weighed, measured or counted but is merely assessed by a guess.

Khartoum stock exchange First Islamic stock exchange, established in 1995 in the Sudan. According to its enabling law, it deals only in shares, bonds, leasing contracts, and those commercial and financial papers whose return is Islamically acceptable, that is, not based on interest. It could trade only on spot basis and with full values paid. Futures trading is not allowed. All public limited companies, banks and insurance companies are its members by law.

al-khatam al-jāmi'ah Pertaining to the fiscal administration of the 'Abbāsids (AD 750–945), it referred to the annual statement of accounts. It gave information about the revenues, expenditure and surplus, very much similar to the present-day annual income statement.

al-khatamah Pertaining to the fiscal administration of the 'Abbāsids (AD 750–945), it was a book that contained record of the tax collected, financial totals, items of expenditure and receipts. The treasury officer (*al-jahbadh*) used to present it just as if he were putting 'his seal' on the month by its presentation (and thus the name *al-khatamah*). Alternatively, the name *al-khatamah* referred to the fact that the treasury officer had put his seal on the document as an evidence of its being correct and valid. It seems that the *al-khatamah* was somewhat similar to the present day statement of income and expenditure.

al-khatt *Lit:* Bond or bill of exchange. *Tech:* The term was in vogue during the Muslim history. It was an important banking instrument during the medieval times.

khatt al-saraf A credit instrument of medieval Spain comparable to cheques of the modern-day banks.

al-khāzin See **bait al-māl**.

khazzān A category of merchants in al-Andalus of the eleventh century, who stocked goods when the prices were low for later resale when the prices rose.

al-khibr See **al-mukhābarah**.

al-khitmah An accounting report prepared during the 'Abbāsids period (AD 750–945) by the government accounts department at the end of each month, very much like a monthly trial balance of the present day.

al-khitmah al-jāmi'ah A comprehensive accounting report prepared by the accounts department of the 'Abbāsids caliphate (AD 750–945). It was an annual report.

al-khiyānah *Lit:* Faithlessness, breach of faith, deception. *Tech:* It is an important characteristic of the hypocrites and the Muslims are to be distinguished from non-Muslims by their complete abstinence from *khiyānah*. It is opposite of *'amānah* (honest dealing). In economics, *khiyānah* refers to all sorts of cheating whether at micro or at macro level.

al-khiyār *Lit:* Option. *Tech:* A term used to express an option to rescind a contract of sales by either party within a certain period after the conclusion of a bargain. Its main types are: *khiyār al-shart*, conditional option, where one of the parties stipulates certain conditions, failing to meet which would grant a right to the stipulating party an option to rescind the contract. *Khiyār al-'aib*, the option to rescind the contract on discovery of a defect in the subject of sale. *Khiyār al-ru'yah*, option of rejecting the thing purchased after seeing it. *Khiyār al-t'ayīn*, where a person having purchased two or three things of the same kind, stipulates a period to make his selection. *Khiyār al-majlis*, the condition of withdrawing from the contract while the two parties are still at the place of transaction. *Khiyār al-naqd*, where the seller has the option to cancel the contract if the buyer does not pay cash up to a certain agreed date. *Khiyār*

al-ghubn, the option of the buyer to cancel the contract if the seller has sold it at a price higher than what an independent evaluator evaluates. *Khiyār kashf al-ḥāl*, the buyer's option to cancel the contract on knowing specifications of the product where a product is sold without specifications. *Khiyār al-qabūl*, the option to accept or reject a proposal, in a contract of sale, before the proposal is accepted, the option is surrendered by giving acceptance to the proposal. *Khiyār al-taghrīr*, option to rescind the contract if the seller perpetrates a fraud causing loss to the buyer.

khiyār al-‘aib See **al-khiyār**.

khiyār al-faskh The right of the buyer and the seller to confirm, cancel or rescind a contract of sale.

khiyār al-ghubn See **al-khiyār**.

khiyār kashf al-ḥāl See **al-khiyār**.

khiyār al-majlis See **al-khiyār**.

khiyār al-naqd See **al-khiyār**.

khiyār al-qabūl See **al-khiyār**.

khiyār al-ru‘yah See **al-khiyār**.

khiyār al-shart See **al-khiyār**.

khiyār al-tadlīs An alternate term for **khiyār al-taghrīr**. See **al-khiyār**.

khiyār tafarruq al-ṣafaq *Lit:* Option to divide the contract. *Tech:* The right of the buyer to reject part of the contract of sale due to defect in some of the goods, irrespective of cause of the defect.

khiyār al-taghrīr See **al-khiyār**.

khiyār al-tarwīyah *Lit:* Option to consider. *Tech:* The option of a buyer to rescind a contract of sale after some consideration.

khiyār al-t‘ayīn See **al-khiyār**.

khizānah al-māl An alternate term for **bait al-māl**, mostly applied in Muslim Spain.

al-khulṭah An alternate term for **al-shirkah**. In this partnership, every partner contributes his respective capital and one of the partners works individually or they amalgamate their capitals and work together. Division of profit is on the basis of capital and work.

al-khumus (al-khums) *Lit:* One-fifth. *Tech:* It has come to be known as one-fifth share of the state from the booty. In the early days of Islam, it used to be one of the major sources of public revenue.

khumus al-khumus One-fifth of the *khumus* or 1/25th of the entire booty. The Prophet divided the *khumus* into five shares: Allah and His Prophet, relatives of the Prophet, orphans, the poor and the needy and travellers. The *khumus al-khumus* refers to the share of the Prophet in the one-fifth booty accruing to the state.

kirā’ al-‘arḍ *Lit:* Rent of land. *Tech:* Lease of land against wheat, whether produced on this land or procured otherwise by the tenant. This was in vogue in the pre-Islamic Arabia. It became a source of public revenue in later periods as a return from the public lands.

al-kīs al-wahīd *Lit:* Single purse. *Tech:* Relating to partnership business, most probably the usage owes its origin to the single purse of money that the partners used to operate.

al-kurr A measure for wheat employed in Iraq (tenth and eleventh centuries AD) equivalent to 720 ṣā' or 12 wasqs. According to Ḥanafites, it is equivalent to 2348.28 kg or 2420.64 litres, while according to other jurists it is equivalent to 1563.84 kg or 1978.56 litres.

al-kurr al-mu'addal Most commonly used measure of wheat in Iraq (tenth and eleventh centuries AD), equivalent to 7200 raṭls.

al-kurr al-qanqāl A wheat measure employed in Iraq (tenth and eleventh centuries AD) equivalent to 3000 raṭls.

kushufīyah See 'iltizām.

Kuwait Finance House Established by the government of Kuwait on 23 March 1977, it started its operations on 31 August 1978 with 49 per cent shares held by the government and 51 per cent by private individuals. It has 17 branches. Its total share capital at the end of 1998 was KD 53.584 million. Kuwait Finance House is engaged in banking, insurance, real estate, share dealings and general trade. It also undertakes social operations, such as distribution of *zakāh*, building of schools, mosques and clinics and provides interest-free loans (*qard ḥasan*) in certain cases.

L

lā khalāba *Lit:* There will be no cheating in the bargain. *Tech:* If a buyer utters these words at the time of buying he gets a right to revoke the contract if subsequently he proves that he has been cheated.

leasing certificate An Islamic financial instrument. The certificate is offered by Islamic banks to savers when the latter want to invest their funds in lease operations.

lease-cum-equity financing It is a technique followed by some Islamic banks for financing large industrial projects. According to this technique the client gets long-term finance initially in the form of leased assets such as land, building, machinery, equipment, etc. During this period, the client pays rent of these assets to the Islamic banks. After construction, the bank's investment in these assets is converted into equity capital of the company.

lending ratio The ratio of funds set aside for interest-free loans from out of demand deposits in an Islamic bank.

limited period investment deposits A type of investment deposit account practiced by some Islamic banks, such as Bahrain Islamic Bank and Kuwait Finance House. The banks accept deposits under this scheme for a specified period which is mutually agreed by the banks and the clients. The contract terminates at the end of the period but calculation of profit or loss is done at the end of the financial year of the bank.

al-luqaṭah *Lit:* Anything found lying on the way. *Tech:* Property that a person finds lying unclaimed, whose owner is not known, and he picks it up for the purpose of preserving it in the manner of a trust for sometime.

M

mā' al-baḥr Water of the ocean to which every person has an equal right.

al-mā' al-'idd *Lit:* Water that gushes forth by itself. *Tech:* Relating to the law of '*iqṭā'*', a place that contains a source of water gushing forth naturally and being accessible to common people. It cannot be donated as '*iqṭā'*' to

anyone. The Prophet withdrew on this plea from one of his companions salt layers of Ma'ārib after granting them as 'iqṭā'.

mā' al-kharāj Water of canals dug by non-Muslims but now within the Muslim territory. Land irrigated by this water is subject to *kharāj*.

mā' al-nahr The water of large rivers from which every person has an equal right to drink and also conditional right to irrigate his lands.

mā' al-shurb The water used for irrigating land. A person is entitled to dig a canal from the river to irrigate his lands, provided it is not detrimental to the interests of others. In case of dispute, there are explicit guidelines for courts to adjudicate.

mā' al-'ushr The water of wells, springs, streams, rivers and rainfall. Lands irrigated by water of such natural sources are subject to 'ushr.

al-madhrū'āt Things that are estimated by linear measurement, such as a yard of cloth.

al-mā'dhūn The slave whose owner has granted him permission to engage in trade.

al-madī *Lit:* A dry measure. *Tech:* One *madī* is equal to 22.5 *ṣā'*. According to Ḥanafites, one *madī* is equal to 73.384 kg or 75.645 litres, while other jurists consider it equal to 48.870 kg or 61.83 litres.

al-ma'ādin al-bāṭin The mineral deposits that are hidden in the earth and their excavation requires much labour such as gold, silver, oil, gas, etc.

al-ma'ādin al-zāhir The mineral deposits, such as salt, graphite, etc., which are on the surface of the earth and do not involve much labour in excavation.

maghribī dinār *Dinārs* minted by the Faṭimīds (AD 969–1171) in Egypt and in Syria.

al-maḥmūl *Lit.*: Something carried. *Tech.*: In the ‘Abbāsīd period (AD 750–945), taxes collected from the provinces and carried to the central treasury as against *musabbab*, which denoted taxes assigned to the provinces or to certain claimants against central treasury.

al-maḥrūm *Lit.*: Deprived, bereaved. *Tech.*: A poor man who does not have means of sustenance and requires help for personal maintenance. The *Qur’ān* speaks of the share of the *maḥrūm* in the wealth of the rich.

al-maisir *Lit.*: An ancient Arabian game of chance played with arrows without heads and feathering for stakes of slaughtered and quartered camels. *Tech.*: It came to be identified for all types of gambling.

majālis al-’aṣl See **diwān** and **diwān al-kharāj**.

majālis al-ḥawādith See **diwān al-nafaqāt**.

majālis al-ḥisāb See **diwān al-kharāj**.

majālis al-’inzāl See **diwān al-nafaqāt**.

majālis al-jaish See **diwān al-kharāj**.

majālis al-jārī See **diwān al-nafaqāt**.

majālis al-sudan See **diwān al-kharāj**.

majālis al-tafṣīl See **diwān al-kharāj**.

al-makhzan Public treasury in fourteenth century Muslim Spain.

al-makīlāt Things that were ordinarily sold by measurement of capacity, such as wheat and barley. See also **al-mauzūnāt**.

al-makkūk A measure equivalent to 1.5 *ṣā'*. According to Ḥanafites, it is equivalent to 4.892 kg or 5.043 litres, while other jurists consider it equivalent to 3.258 kg or 4.122 litres.

al-maks Tax, more particularly excise or sales tax. See also **ṣāhib al-maks**.

al-māl (pl. *al-'amwāl*) *Lit:* Wealth. *Tech:* Something that can be hoarded or secured for use at the time of need. There are three attributes of *al-māl*: that it must have some value, that it must be a thing the benefit of which is permitted under the Islamic law and that it must be possessed. It is of two kinds in respect of form: *al-māl al-bāṭin* (hidden) and *al-māl al-zāhir* (apparent). But in respect of ownership it is classified into *al-māl al-'āmmah* (which has no specific owner) and *al-māl al-khāṣṣah* (which is owned by someone).

al-māl al-'ain Relating to the law of *zakāh*, it denotes an asset.

al-māl al-bāṭin *Lit:* Non-apparent wealth. *Tech:* The wealth that cannot be assessed or inspected by the *zakāh* collector on the basis of any external evidence except that the owner chooses to disclose it. It includes, primarily, ornaments and cash holdings, etc.

māl ḍimār Relating to the law of *zakāh*, it is a property that has slipped out of one's hands with little chance of recovery, such as a lost slave; property fallen into sea or river; property usurped by someone when the real owner does not have evidence to prove its ownership. It also applies to all such property for which the owner despite possessing the title cannot derive benefit out of it or does not have actual possession or control of the property.

al-māl al-ghā'ib *Lit:* Absent cash, capital not immediately available for use. *Tech:* Relating to the law of *shirkah al-mufāwāḍah*, no partnership can be valid with *al-māl al-ghā'ib*. *Al-māl al-ḥāḍir* (ready cash) is a necessary condition for a lawful partnership agreement.

al-māl al-ḥāḍir *Lit:* Ready cash. See **al-māl al-ghā'ib**.

māl al-jahbadhah The commission or pay of the *jahbadh* for various functions performed by him. They were charged to the public (by collecting excessive taxes) or to the government by deducting from the tax proceeds.

al-māl al-kathīr *Lit:* A large amount of wealth. *Tech:* The quantity of wealth on which *zakāh* is levied.

al-māl al-khāṣ The movable or immovable assets owned by a specified person, giving the owner an absolute right to use or dispose it off in any manner by himself or through an attorney and the theft of which entails hand-chopping of the thief, subject to other applicable conditions. It is as compared to *al-māl al-'āmmah*, which belongs to the Muslim community as a whole and is not owned by any specific person, such as *bait al-māl al-muslimīn*.

al-māl al-mustafād Relating to the law of *zakāh*, the property which was not in one's possession in the beginning of the assessment year but came into one's possession during the year. Examples are monthly salary, wages, bonus, *gratis* receipts, etc. There is a controversy in the law about applicability of *zakāh* on it.

al-māl al-mutaqawwam Wealth that has a commercial value. It is possible that certain wealth has no commercial value for the Muslims (*ghair mutaqaawwam*) but is valuable for the non-Muslims. Examples are wine and pork.

māl nāmī Relating to law of *zakāh*, refers to capital that is growing or has the potential to grow. *Zakāh* is payable on *māl nāmī*. It is represented by

net assets that have been owned for one lunar year for the purpose of profit as decreased by the related obligation (free of debt) measured by the net realizable value or the replacement cost method. It is calculated as follows. New working capital (+) short-term debts used to: (i) finance fixed assets; (ii) pay off long-term debt; or (iii) reduce capital stock; minus (−) long-term debts used to finance short-term assets (trade assets).

māl al-qunyah *Lit:* Acquisition, property. *Tech:* Wealth that one holds for personal consumption rather than for trade.

al-māl al-šāmit Relating to the law of *zakāh*, goods lying dormant such as in the ownership of an orphan.

al-māl al-zāhir *Lit:* Apparent wealth. *Tech:* The type of wealth that can be inspected, examined and assessed by the *zakāh* collector. Examples are: livestock, agricultural produce, stock-in-trade and minerals.

al-ma'lūfah Relating to the law of *zakāh*, the cattle that are fed at the stable of the owner.

mālikane A system of revenue collection introduced by Ottoman Sulṭān Muṣṭafā (1695–1703) in the year 1695 by replacing the system of *'iltizām* (tax farming). *Mālikane* was a life-lease over land granted by the state on the payment of an initial down payment (*al-māl al-mu'jjal*) followed by a yearly minimal payment (*al-māl al-mu'jjal*). The state determined the minimum amount that it would accept for a tax-farm, the sum required was then advertised to potential bidders. The highest bidder was called the *malikaneci*. Although the holder of a *malikane* enjoyed the right of tenancy for life, upon his death this right reverted to the state, which indicated provisional nature of the *malikane* as a lease from the government. The possessor of a *malikane* had the right to cede the farm to his male heirs on payment of a transfer fee to the government. However, the tax-farmer had the right to sub-tax-farm his right. In this way the original *malikaneci* usually became an absentee landlord. The task of managing the tax-farm was usually left to an agent who was chosen by the official farmer by public auction. Into this situation came the *šarrāf* who helped the *malikaneci* succeed in initial auctions as well as in choosing the

agent. The system worked well till 1775 when it could not sustain itself with the defeat of the Ottomans at the hands of the Russians.

mālikānecī See **mālikane**.

al-manīḥah Donation of a property with the permission to derive benefit from its yield without transferring the ownership to the donee. Examples are: donating a date-palm tree with permission to eat the fruit or donating a cow with permission to drink its milk. The property in question remains in the ownership of the donor. It is an important value of the Islamic economy.

al-manfa‘h *Lit:* Advantage, yield. *Tech:* Relating to the institution of *waqf*, it is usufruct of the trust for the beneficiaries. In case of *fai’* lands, that were a trust of the Muslims, the peasants were entitled to the *manfa‘h* of the lands on payment of rent (*kharāj*).

al-mann A measure equivalent to 2 *raṭl* ‘Iraqī or 815.39 g.

mann al-jubn wal ‘aṣl A measure of weight in Makkah of the Mamlūk period (AD 1250–1517) to measure cheese and honey. Equal to 432 *dirhams* or 1.35 kg.

mann al-laḥm A measure of weight used in the Mamlūk period (AD 1250–1517) in Makkah to measure meat and other fatty stuffs. Equal to 400 *dirhams* or 1.25 kg.

mann al-saman A measure of weight used in Makkah of the Mamlūk period (AD 1250–1517) to measure olive oil, sesame oil and vinegar. Equal to 800 *dirhams* or 2.5 kg.

mann al-Yaman A measure of weight used in the Makkah of Mamlūk period (AD 1250–1517). Equal to 320 *dirham* or 1.0 kg.

mannān *Lit:* Beneficent, kind. *Tech:* Relating to 'infāq, one who recounts his charity and teases the recipient by it.

maqāṣid al-sharī'ah *Lit:* Objectives of the *sharī'ah*. *Tech:* It refers to the protection of life, religion, reason ('*aql*), progeny and property. These objectives also define basic needs in an Islamic economy. See also **al-ḍarūrīyāt al-khams**.

al-m'āqil *Lit:* Blood money. *Tech:* Mutual insurance 'societies' of pre-Islamic Arabia constituted to collect a common fund known as *al-kanz* to insure against damages and tort. If and when a member of the group committed a tort and had to pay damages, this common fund came to his rescue. For instance, the damages for culpable homicide were one hundred camels. Few individuals could pay it. In such cases, *kanz* of the tribe was employed to pay for the damages. The members of the tribe were known as '*āqilah*. The Prophet retained this practice. See also **al-'āqilah**.

al-marḥalah A measure of distance equivalent to 2 *barīd*, 8 *farāsikh* or 44.352 km.

mark-down A financing technique adopted by some Islamic banks, applied usually for discounting bills of exchange. A person who needs short-term financing against a bill, gets cash after foregoing a certain amount on the face value. The amount foregone is called mark-down.

mark-up A financing technique adopted by some Islamic banks. It is an agreement in which the bank agrees to finance the purchase of equipment or some commodity for its client at a price that includes a fixed pre-agreed profit for the bank. The pre-fixed margin of the bank is called mark-up. If the client does not meet his obligation on due date, the bank cannot add anything to this mark-up. It is treated as a component of the price and cannot be enhanced subsequently by the bank.

al-maṣārif al-thamanīyah Eight heads of expenditure mentioned in the Qur'ān about *zakāh*. They are: *fuqarā'*, *masākīn*, *zakāh*-collectors, those

whose hearts have been reconciled, freeing of slaves, helping the poor debtors, *fi sabīl Allah* (in the cause of Allah) and the wayfarers (*ibn al-sabīl*) (*Qur'ān* 9: 60). By a consensus of the 'Ummah, *zakāh* cannot be spent on any other head besides these.

al-māshīyah Relating to the law of *zakāh*, it refers to cattle subject to *zakāh*.

māsiḥ (a for alif) *Lit*: A person who measures. *Tech*: A surveyor of land in the days of 'Abbāsids (AD 750–945) for assessing the tax liability of each individual. See also **qānūn al-kharāj**.

al-maṣlahah *Lit*: Utility, benefit. *Tech*: Exigencies which necessitate protection of faith, life, progeny, property and rationality. *Al-maṣlahah* is the basic consideration in the formulation of law in Islam. Those acts or omissions that cause harm to any of the above named five *maṣāliḥ* are known as *al-mafāsīd* and enactment against them becomes obligatory in the Islamic state.

al-matā' It has a number of usages all of which are relevant to Islamic economics: enjoyment, object of delight, necessities of life, property, merchandise, household effects. The *Qur'ān* refers to worldly possessions that are available for a very short span of time as compared to the pleasures of the hereafter, which are everlasting. The *Qur'ān* uses *al-matā'* to denote insignificance of this world as compared to the life after death. (*Qur'ān* 3: 14, 3: 185, 3: 197, 4: 77, 16: 117).

al-mā'ūn *Lit*: Implements, utensils, instruments. *Tech*: Small household articles that neighbours or friends borrow from each other for temporary use without any consideration. Lending of *mā'ūn* is known as *'arīyah* and has been recommended in the *sharī'ah* as a virtuous act.

al-mauzūnāt Things that are ordinarily sold by measurement of weight, such as gold or silver. See also **al-makīlāt**.

al-mawāt See **al-'arḍ al-mawāt**.

maximum rate of profit Relating to *mushārah* financing by banks in Pakistan, it is the rate above which the banks cannot receive anything as their share of profit on the finance provided by them. It is determined in the following manner: (i) averaged-out rate of profits on profit–loss sharing (PLS) of the longest term deposits paid by various banks; (ii) rate of service charges determined by the State Bank of Pakistan. Total of (i) and (ii) above would be the maximum rate of profit.

al-mazālim al-mushtarakah *Tech:* Extra-*sharī'ah* taxes imposed on a group of people jointly. This practice has been disapproved by jurists.

al-Meezan Investment Bank A Pakistan-based Islamic investment bank. Registered in August 1997 with an authorized capital of Rs 1.0 billion and paid capital of Rs 721 million.

al-mīl *Lit:* Mile. *Tech:* It is equal to 4000 *dhirā'*, 1 mile plus 240 yards or 1848 meters.

al-milk Expression of the connection between a man and a thing which is under one's absolute power and control to the exclusion of control and disposition by others. But the *milk* of individuals or society is regulated by the *sharī'ah* since absolute *milk* belongs to God.

al-milk al-‘āmmah Public property such as roads and large waterways. They are also called *ghair mamlūk* (not owned) and can be used by an individual so far as it does not involve navigation or the use does not deprive the shareholders of their water supply. Likewise, roads must not be blocked by the erection of buildings.

al-milk al-tāmm *Lit:* Perfect ownership. *Tech:* Complete and total ownership of an asset.

minimum rate of profit Relating to *mushārah* financing by bankers in Pakistan, it is the rate below which no financing is provided by the banks, arrived at in the following manner: (i) Averaged-out rate of profit paid on

PLS saving accounts by various banks; (ii) Rate of service charges determined by the State Bank of Pakistan. Total of (i) and (ii) above would be the minimum rate of profit.

mirī 'arāḍī *Kharāj* lands in the Ottoman empire (AD 1281–1924). Also known as 'amīrī 'arāḍī, that is, lands belonging to the 'amīr.

al-misāḥah *Lit:* Measuring or surveying land, taxing for unit of area. *Tech:* Historically, one of the bases for land taxation used to be 'ala al-misāḥah, that is, a tax calculated on the size of land tilled, keeping in view the location and fertility of the soil. The term was used to express two related meanings. First, tax assessed on the basis of measurement of land independent of any fluctuations in the area tilled or crop produced, assessed for the lunar year and paid, quite frequently, in monthly instalments. Second, land-tax assessed on the basis of area sown, leaving out fallow and waste land, assessing different rates for different crops, for the solar year.

al-miskīn Used in the law of *zakāh* for a person who has been rendered helpless or invalid by sickness, old age or war and is either unable to work or cannot earn enough to maintain himself and his family.

Mit Ghamr saving bank The first Islamic bank in the contemporary world established in a village of Egypt named Mit Ghamr in 1963. It was established by Dr Ahmad al-Najjar on the pattern of West German rural saving societies. The bank collected savings and provided finance to its members. The finance was either for consumption purposes but in small quantities or for investment purposes and on PLS basis. The recovery of loans by the bank was fairly good. But the Egyptian government had subsidized its operations. During the 5 years of its operations, the government subsidies totalled up £E 496 000. The bank was closed in 1968 by the Egyptian government. All its operations were on interest-free basis. It also collected *zakāh* and managed it.

al-mithlī *Lit:* Fungibles. *Tech:* The Muslim jurists classify things into two categories: those whose elements are distinguishable and those whose elements are indistinguishable. The first category is called *mithlī*. For

example, different units of wheat, corn or grapes are not distinguishable. If a person borrows 1 kg of wheat, he must return 1 kg of wheat, but it is not possible precisely to distinguish between the wheat borrowed and the wheat returned. The two are indistinguishable, or *mithlī*. See **al-qīmī** for distinguishable things.

al-mithqāl A weight for measuring commodities, equivalent to 4.5 g.

al-mithqāl bi dhahab A weight to measure gold, equivalent to 4.25 g.

money muḍārabah A contract of *muḍārabah* in which the capital owner provides capital in cash ('*ain*).

MSI (Muslim Saving Investment, Inc.) A company incorporated in the United States, finances home-purchase on rent-sharing basis. It provides about 80 per cent of the price of the house. In lieu of interest payments, the borrower pays the MSI a proportionate rent that takes into consideration the property's appreciation or depreciation due to market valuation. The borrower can elect to buy out MSI in a scheduled period of 15 years. During this period, every 3-years the value of the property is evaluated independently and the proportionate shares of the company and the partner-owner are determined. The partner-owner is given the option to purchase the value of the house owned by the company at any time during this period at the market price.

al-mu'ājarah A contract in which a landlord leases his land to a tenant for a fixed sum of money or anything else usually paid in advance.

al-mu'ākarah An alternate term for **al-mu'ājarah**.

mu'allafatul qulūb *Lit:* Those whose hearts have been reconciled. *Tech:* Used in the context of *zakāh*, one of the eight heads of account on which it can be spent. In the days of the Prophet, the *zakāh* fund was also expended on those who could be a potential danger to Islam, or who had converted to Islam recently and needed economic support or who could

go back to *kufṛ* if not supported financially. All schools of jurisprudence agree that this head of account is still alive and the Islamic state can appropriate *zakāh* for it. Those who receive *zakāh* on this account can be Muslims or non-Muslims, rich or poor, nationals or aliens.

al-mu'āmalah *Lit:* Economic transaction. *Tech:* Lease of land or of fruit trees for money or for a share of the crop.

al-mu'āmalah fi al-thimār An agreement of land tenure in which the orchard owner gives his fruit trees to a farmer who irrigates the soil with buckets, by water-wheel or in some other way; fecundates the trees; and fulfils all the requirements of tillage until the time when the fruit becomes sound enough to be sold. In exchange, the worker gets one-half, one-third or one-fourth of the fruit.

mu'āwaḍah 'ala al-ḍamān Compensation for providing a guarantee. A type of contract where a person/agency agrees to act as a guarantor for a certain thing or person and charges a fee for providing such guarantee. A common example is a letter of guarantee by a bank for a certain fee issued in favour of a person or firm, saying, in case the person or the firm does not fulfil a certain obligation, the bank would do.

al-mu'āwamah Selling the fruit on trees for a period of 1, 2 or 3 years, even before the fruit has appeared.

mubādalah *Lit:* Exchange of two commodities. *Tech:* Exchange of two different currencies made of the same metal, like gold or silver by count and not by weight. If the exchange is by weight, it is called *murāṭalah*.

al-mubādharah Agricultural contract in which seeds and other inputs are provided by the landlord and the tenant receives a mere sixth or seventh part of the produce for his labour.

mubāḥ Permissible; an action for which people will neither be rewarded nor punished.

mubāḥ al-’aṣl In Islamic law, free gift of nature not owned by anybody or anything which is free to be used by public.

mubāḥ ‘umūmī Things and advantages that are open to everyone and cannot be exclusively appropriated by anyone. Examples are air, light, fire, grass, seawater, rivers, streams, public roads and grazing fields for the cattle.

muḍāf See **’iltizām**.

al-muḍārabah A form of business contract in which one party contributes capital and the other personal effort. The financier is known as *rabb al-māl* and the worker or entrepreneur as *muḍārib*. The proportionate share in profit is determined by mutual consent. But the loss is borne only by the owner of the capital, in which case the entrepreneur gets nothing for his labour. As a financing technique adopted by Islamic banks, it is a contract in which all the capital is provided by the Islamic bank while the business is managed by the other party. The profit is shared in pre-agreed ratios, and loss, if any, unless caused by the negligence or violation of the terms of the contract by the *muḍārib*, is borne by the Islamic bank. Ultimately, the bank passes on the loss to the depositors.

muḍārabah certificate A financial instrument devised by Islamic investment companies to mobilize funds for investment. A *muḍārabah* certificate can be for a specific purpose or for a general purpose. The former is related to financing of specific projects and matures only on the completion of the project. The latter can have a specific or indefinite duration but proceeds can be invested in any *ḥalāl* business. Both the types can be issued in negotiable form and can be either registered or bearer. The *muḍārabah* certificates can be distributed in an underwriting or sales effort for a fixed term or can be continuously available or be available on a periodic basis.

muḍārabah market See **qirāḍ market**.

muḍārabah model Based on the concept of two-tier *muḍārabah*, refers to the model of Islamic banking proposed by several scholars in early

seventies. The first tier of the *muḍārabah* is between the bank and the depositors who agree to put their money in the bank's investment account and share profits with it. In this case, the depositors are considered to be providers of capital and bank functions as the working partner. In the second tier, the bank provides funds to entrepreneurs who act as working partners and the bank acts as the provider of funds. The loss is the liability of the bank while the profit is shared by the entrepreneurs and the bank.

al-muḍārabah al-muṭlaqah *Lit:* Unconditional *muḍārabah*. *Tech:* A contract of *muḍārabah* that does not bind the entrepreneur about the place, time, season, commodities, credit or techniques of trade. These matters are left to the option of the entrepreneur. The *muḍārabah* contract defines merely the profit-sharing ratio.

al-muḍārabah al-muqayyadah *Lit:* Conditional *muḍārabah*. *Tech:* A contract of *muḍārabah* in which certain conditions like place, season, commodities, credit and techniques of trade are stipulated by the provider of the capital (*rabb al-māl*).

muḍārabah shares Normally issued by the state, they are instruments for obtaining funds from the private sector on the basis of *muḍārabah*. The state issues a share certificate, indicating the price, the period and the terms of the contract. The funds thus collected are invested in some profit-yielding project so that the state can share profit or loss with the public.

al-muḍārib In a *muḍārabah* contract, the person who acts as a working partner or entrepreneur. See also **ṣāhib al-māl** and **rabb al-māl**.

muḍārib uḍārib principle In a contract of *muḍārabah*, an arrangement by which the entrepreneur (*muḍārib*) appoints another agent who actually runs the business. The Islamic banks apply this principle extensively when they provide finance on the basis of *muḍārabah*.

al-mudd *Lit:* A weight or measure. *Tech:* According to Ḥanafites, it is equivalent to 2 *raṭls*, 1.032 litres or 815.39 g. According to other jurists it is equivalent to 1.33 *raṭls*, 0.687 litres or 543 g.

mudd shārī‘ The *mudd* prevalent in the days of the Prophet Muḥammad. The jurists of later days used it to translate the equivalent of their own respective times into the measure of the Prophet’s time to determine *niṣāb of zakāh, diyah, fiṭrah* and other religious levies.

al-muddakhar *Lit:* Something that can be stored. *Tech:* Relating to *ribā al-faḍl*, the Mālikite jurists apply the concept of *ribā al-faḍl* to items which are both *muqtāt* (quality of being a food item) and *muddakhar* (storable).

al-mufāwaḍah See **shirkah al-mufāwaḍah**.

al-mughārasah *Lit:* A contract for planting trees. *Tech:* A contract in which a landlord gives his bare land to a worker to plant fruit trees. It may be done in two lawful ways. First, the landlord bears all expenses of transplantation of twigs, fixtures, date stones and pruning of branches and twigs; he hires a worker/tenant to plant trees and to work and irrigate them for a certain fixed period until the plant yields fruit. In exchange for this work, he gets a fixed definitely known wage or a certain piece of that land, that is, he becomes co-owner of the trees. Second, the tenant is made responsible for all these expenses including plantation of the fruit trees, its mending, irrigation, etc., and in exchange he obtains a certain stipulated share such as one-half, one-third, one-fourth, or more or less of the fruit crop. In that case, the worker does not have any right over the land. The period for this tenancy is not fixed and all other terms and conditions of the contract of *muzār‘ah* apply in this tenure.

al-muḥāqalah It denotes a deal involving lease of land against corn or buying of a crop still in growth when grains are in the ears in exchange for corn.

al-muḥtajir One who fences a dead land for the purpose of developing it.

al-muḥtakir One who hoards commodities (especially food grains) with the intention of causing a shortage in the market and pushing up the price.

al-muḥtasib Head of *al-ḥisbah* department during the Muslim history. His main responsibilities were: (i) enforcing the proper behaviour

(*'amr bil marūf*) and preventing the improper (*nahī 'anil munkar*); (ii) supervision of markets; and (iii) helping the state keep flows of supply and demand unobstructed. He had wide executive and judicial powers. The *muhtasib* was often a scholar of the *sharī'ah*.

mujahhiz A category of sedentary merchants in the eleventh century al-Andalus who mainly dealt in imports and exports, through merchants who actually travelled with the merchandise.

al-mujāmalah *Lit:* Mutual kindness. *Tech:* Informal partnership prevalent during Fāṭimid (AD 969–1171) and 'Ayūbid (AD 1183–1260) Egypt.

al-mukātab The slave who obtained from his master the privilege of manumission on payment of a fixed price. Such slaves had the right to engage in trade and buy and sell in order to earn the price of their freedom but did not own goods themselves.

al-mukhābarah An agreement to lease land on rent for cultivation with the condition to share the produce in a given ratio. In some cases, the agreement provides for the supply of seed by the land owner but it is not always essence of the contract. It is also known as *khibr*.

al-mukhāḍarah Sale of fruit or crop before it has ripened.

al-mukhammin A valuer for estimating crops when still in the root, employed by the tax departments during the 'Abbāsid period (AD 750–945).

al-mukhāṭarah A wagering contract or a risky contract. It applies to all those contracts which may bring a reward without any human effort or to contracts that involve non-business risks.

al-mulāmasah See **bai' al-mulāmasah**.

al-muljam A measure equivalent to 2.5 *ṣā'*. According to Ḥanafites, 1 *muljam* is equal to 8.154 kg or 8.425 litres, while other jurists consider it equal to 5.43 kg or 6.87 litres.

multazim See *'iltizām*.

mltilateral muḍārabah A contract of *muḍārabah* that may take either of the following forms. A number of subscribers of capital may make the contract of *muḍārabah* with a single person (or entity) or a subscriber may contract *muḍārabah* with more than one person jointly or severally or a number of workers may join hands to work for one or more than one subscribers of capital.

multipurpose muḍārabah A *muḍārabah* contract that has more than one specific purpose or objective.

al-munābadhah See *bai' al-munābadhah*.

al-munāṣabah An alternate term for **al-mughārasah**.

al-muqāraḍah An agreement in which a person leaves his commodities (stock-in-trade) with another person so that the latter may sell them. The profit is for the owner of the commodities. Also used as an alternate term for *muḍārabah*.

muqāraḍah bonds Non-interest-bearing financial instruments, initially issued by the Government of Jordan in 1981, which share the profit of the project financed with the funds raised through them. The Government of Jordan guaranteed the nominal value of the bonds. The bonds were repayable over a period of time from out of the profits of the venture in which the funds were deployed.

al-muqāriḍ In a contract of *muḍārabah*, one who furnishes the funds. Also termed as *rabb al-māl*.

al-muqāsamah *Lit:* Partnership. *Tech:* A contract of partnership to till land for sharing the produce. The classical example is that of the Prophet's contract with the Jews of Khaiber. He concluded an agreement with the Jews for sharing the produce of the land, retaining them as tillers on the land.

al-muqāṣṣah *Lit:* Accounting, clearing, settlement of accounts. *Tech:* Used in Islamic banking, the current account deposits are treated as a loan to the bank and withdrawals from the deposit account as a loan of the bank to depositor. Thus, the two loans cancel each other (*muqāṣṣah*).

al-muqata'ah A system of taxation followed by 'Umayyads (AD 661–750) and 'Abbāsids (AD 750–945). It referred to a procedure for collective tax payment for the state and the caliph. It was used in a number of ways: (i) a fixed yearly sum of money payable according to agreement and without regard to the prosperity of the cultivator or the population; (ii) an annual due paid for a fief; (iii) a tax paid by allied nations and provinces as a tribute on condition of retaining a certain autonomy; and (iv) dues paid by the one who undertakes the tax management of an entire province or a major area. In the Ottoman empire (AD 1281–1924) the system was classified into three categories: *Timār*, *Emānet* and *'Iltizām*. The first form was similar to the fief system of European feudalism, whereby the feudal lord kept the income and in return was obliged to perform certain services for the state. The second form constituted income from properties administered on a trustee basis, which was handed over to the state in return for a reward. The third form was tax tenure whereby the tax tenant (*'amīn*) was allowed to keep a part of the taxes for himself and had to give the rest to the state.

al-muqayadah See **bai' al-muqāyah**.

al-muqtāt Something that has the quality of becoming a food item. Relating to *ribā al-faḍl*, the *Shāfī'ites* apply the above concept to food items (*al-muqtāt*) only.

al-murābahah See **bai' al-murābahah**.

murābaḥah bonds A financial instrument proposed for obtaining debt by the government within the interest-free framework. The certificate can be issued by the government in the following manner: The government may appoint one of its agencies to procure goods and services for it. The agency will float *murābaḥah* bonds and collect public funds. With these funds, it will procure goods and services and sell them to the government on a mark up. The certificate holders will be entitled to profit on the sale.

murābaḥah receivables In a contract of *murābaḥah*, the amount of debt due from the customers at the end of the financial period less any provision for doubtful debts.

al-murāḥanah Bet by two parties on the happening of an event in the future so that one will pay the other a certain amount if the event takes place; otherwise, the latter will pay the former. This is a form of gambling.

al-muraj'ah al-Islāmīyah *Lit:* Islamic swap. *Tech:* A financial technique followed by Islamic banks in which two banks agree to swap with each other two deposits denominated in different currencies for a fixed period but on interest-free basis. During the period they are holding these deposits, each one of them is free to invest it and earn a return on it. Any profit or loss accrues to the party investing. After the expiry of the agreed period, the original swaps are reversed.

al-murāṭalah Selling by counterpoising gold for gold or *dirhams* for *dirhams*.

al-murū'ah *Lit:* Manliness, valour, sense of honour, generosity. *Tech:* Spending on hospitality, honour and gifts for well-to-do and respectable people. This is in contrast to *ṣadaqah*, which is meant for the poor and the needy.

al-murūj A category of common land (*ḥimā*) in early Arabic society where the cattle could graze. The village owned it collectively so that its

residents could sell or develop it as an owner of a private property. It was possible to parcel it out to individuals who could cultivate it.

al-musabbab Taxes assigned to certain claimants or provinces as against *maḥmūl*, taxes collected from provinces and carried to the central treasury.

al-muṣādarah Confiscation of property by the state without compensation.

al-musāqah A contract in which the owner of the garden shares its produce with another person in a pre-determined ratio in return for latter's services in irrigating the garden.

al-musaqqafah A housing property that produces income. The term is applied to a *waqf* property.

al-muṣarrah *Lit:* The animal that is not milked and whose milk is left in the udders. *Tech:* Used in a sales contract whereby the seller of milch cattle keeps the cattle un-milked for a day or so and deceives the buyer by milking a larger quantity in his presence than is usual for the cattle.

al-musāwamah See **bai' al-musāwamah**.

musāwamah facility It is a financing technique being used by some Islamic banks. Under this mode, the customer requests the bank to purchase a specified quality and quantity of a commodity or product. The commodity remains in the possession of the bank and the client keeps on taking its delivery at a notional price. The notional price usually is fixed by keeping in view bank's margin. The period of transaction is usually 180 days. As a security for the due and prompt performance of all obligations, the bank obtains a collateral.

al-mushārah A financing technique adopted by Islamic banks. It is an agreement under which the Islamic bank provides funds which are mingled with the funds of the business enterprise and others. All providers of capital are entitled to participate in management, but not

necessarily required to do so. The profit is distributed among partners in pre-agreed ratios, while the loss is borne by each partner strictly in proportion to respective capital contributions.

mushārah convertible income certificates A financial instrument floated by Investment Finance Corporation (IFC) in 1993. The certificates were the first *mushārah* facility provided by IFC. They are US dollar denominated, have a 10-year maturity and a rate of return linked to annual dividend rate on *mushārah's* ordinary shares. The certificates are convertible into ordinary shares of the *mushārah* at book value and are tradeable at stock exchange.

al-mushā' *Lit:* Common; undivided. *Tech:* Mixing up of the proprietary rights of more than one person in a thing, such as in joint ownership where each co-owner has a right until the entire property is distributed.

al-musharrif Tax-collector in fourteenth century Muslim Spain. He used to be responsible to one of the secretaries (*kātibs*) of the *sulṭān* called *ṣāhib al-'ashghāl*.

mushrif Relating to the administration of '*iqṭā'* in sixteenth century India, the *mushrif* was a treasury officer who authenticated accounts and other writings.

al-musinnah Relating to the *niṣāb* of *zakāh*, a cow in her third year. This is also used for 2-year-old sheep and goats.

al-muslim fihī In a contract of *bai' al-salam*, the commodity sold.

al-muslim 'ilaih In a contract of *bai' al-salam*, the seller.

Muslim Savings and Investment, Inc. See **MSI**.

al-mustaḍ'afīn See **al-mustakbirīn**.

al-mustaghallāt The landed property that produces income. The term is applied to a *waqf* property.

al-mustaḥiqq *Lit:* Entitled to a benefit. *Tech:* A person entitled to receive assistance from the *zakāh* fund.

mustajar Objects of a hiring contract.

mustājir Refers to a lease holder or a tenant in the case of land tenancy. Also used for an employer, in the case of letting out of services.

al-mustakbirīn Qur'ānic term for well-to-do people in a society. The *Qur'ān* comments on unjust distribution of economic power, which results in emergence of two distinct classes in the society: *al-mustakbirīn* and *al-mustaḍ'afīn*. The former are economically powerful and corrupt people who oppress the weaker sections of the society. The latter consist of economically weak and oppressed people who remain contented with their fate.

al-mustakhrij In 'Abbāsīd Iraq (AD 750–945), an official of the tax department who worked for *the jahbadh*.

al-mustarsil *Lit:* Loose, flowing (hair), friendly, affable. *Tech:* A buyer who does not haggle over the price; also a buyer who is unaware of the actual price of a commodity and is willing to buy at the price quoted by the seller. Some jurists have also included in this category those farmers who bring their produce to the market but, being unaware of the market conditions, sell their produce at a price lower than the prevailing rate.

mustawfī See **diwān al-māl**.

mutājarah An arrangement whereby an Islamic bank agrees to provide goods needed by a client on immediate payment basis.

mutaqabbil One who undertakes the contract of *qibālah* or tax-farming, in which a contractor pays the ruler an agreed amount, collects taxes from the people and retains the difference. In modern parlance, it was privatization of tax collection. It was a tyrannical system. See **al-qibālah**.

mute investment Investments that do not generate financial income and cannot be financed on a participatory basis. Examples are: lighthouses, military airfields, public schools, etc.

al-muwāfaqah wal jam‘ah Pertaining to fiscal administration of the ‘Abbāsids (AD 750–974), it referred to comprehensive accounts (*ḥisāb jāmi‘*) presented by an ‘*āmil* (tax collector) on relinquishing his appointment. The accounts were termed *muwāfaqah* if the accounts were agreed upon by both the submitting ‘*āmil* and the authority concerned. They were termed *muḥāsabah* if there was any difference over the accounts.

muwāsah *Lit:* Consolation, charity, beneficence. *Tech:* Fulfilling the needs of others while one is himself hard pressed. It involves some amount of sacrifice.

al-muwāṣalah *Lit:* Close relationship. *Tech:* Informal partnership during Fāṭimid (AD 969–1171) and ‘Ayūbid (AD 1183–1260) Egypt.

al-muzābanah See **bai‘ al-muzābanah**.

al-muzār‘ah It is a contract in which one person agrees to till the land of the other person in consideration for a part of the produce of the land.

N

nadhr *Lit:* Vow, pledge. *Tech:* An undertaking to spend or sacrifice a specified item or money for the pleasure of Allah if a certain wish is

fulfilled. Although making such a vow is optional, but once made, its fulfilment is obligatory.

al-nafal *Lit:* Booty, spoil. *Tech:* In a broad sense it covers the *ghanīmah* and the *fai'*, but in its narrower sense it is a share of the booty given to a warrior for showing feats of bravery in the battlefield. It is in addition to his regular share in the booty as a soldier of the army.

nafaqāt *Lit:* Obligatory expenses. *Tech:* Obligatory expenses of the following types: (i) unconditional obligation of providing for one's nearest relatives, like wife and children; (ii) conditional obligation of providing for needy relatives if one can afford it.

al-najash See **al-tanājush**.

al-nājiz *Lit:* Entire, complete. *Tech:* Relating to the commercial law, it refers to a transaction for ready cash.

al-naqd Gold and silver in the form of coins.

al-naqdain *Lit:* Two currencies. *Tech:* Gold and silver or *dinār* and *dirham* used as currencies. Also called *al-nuqūd*.

al-naqal Transfer or transportation of goods from one place to another with the intention of giving possession to the other party.

al-naqqāl A person employed to transport or carry the goods collected as *zakāh*. He is included in the category of *'āmilīn* and is paid out of the *zakāh* funds.

al-nashsh *Lit:* Half of anything. *Tech:* A weight equivalent to half *'ūqiyah*, 20 *dirhams* or 59.5 g.

naṣīb al-mithl *Lit:* Similar share. *Tech:* In relation to an agreement of partnership, such as *shirkah*, *muḍārabah*, *muzār'ah*, *musāqah*, etc., it is share of profit for each party to the agreement, in case the original agreement becomes void (*fāsīd*) for any reason. In such a case, each one is given *naṣīb al-mithl*: the generally accepted share in similar cases.

Nasser Social Bank Established in 1971 in Egypt, mainly to help the poor. Its main operations are interest-free. However, it charges one per cent as administration charges on all financing. It provides interest-free loans for short periods and in small amounts. For investment purposes, it provides finance on PLS basis. It also collects and distributes *zakāh*. It provides finance to non-members (non-depositors) also.

national participation paper A proposed financial instrument for raising funds by the government. The governments can raise funds for financing asset-creating expenditures. The paper will carry a return to be calculated according to an average rate of return on similar projects by private sector. The government can create a research organization responsible for collecting and analysing data on the rate of return of various types of private sector organizations. This rate of return will become operative for each type of paper issued by the government.

al-nā'ūrah See **al-dālīyah**.

al-nawāḍiḥ Relating to the law of *zakāh*, it refers to camels that irrigate land. Half *'ushr* is usually payable on the produce of the land worked by *al-nawāḍiḥ*.

al-nawāh *Lit:* Date pit, stone of a date. *Tech:* A weight equivalent to 5 *dirhams* or 14.875 g.

al-nawā'ib *Lit:* Calamity, misfortune. *Tech:* Taxes imposed to meet any emergency arising out of some natural calamity. Also used for irregular levies of Muslim states imposed collectively on the people anywhere. Jurists opposed these levies, but they were in vogue during medieval Islam.

nāzir al-awqāf Administrator of an endowment or trust.

nāzir al-sikkah A fourteenth-century Spanish institution. The *nāzir al-sikkah* was an officer in the mint responsible for supervising quality of the coins minted. This office was usually filled by jurists.

nāzir al-sūq An alternate term for *al-muhtasib* prevalent in North Africa during the third century of *Hijra*. See **al-muhtasib**.

al-nāzirah Postponement of debt at the request of the debtor who is facing difficulty in repayment on due date. Along with *qard ḥasan*, it is an important element of the *ribā*-free credit structure.

nerkh The system of controlling prices followed by the Ottomans during the 1300 to 1920. The Ottoman government used to fix prices of essential commodities in the light of market conditions, cost of production and demand by consumers. The prices were fixed in consultation with members of respective guilds. Office of the *qāḍī* used to keep a register, known as *qāḍī sicilli* or *sicilli sharī'ah*, which showed the prices fixed during a particular period. The office of the *muhtasib* used to monitor prices in the market and ensure that the fixed prices are not violated by individual traders.

net assets Relating to an Islamic Fund, they are shareholders/unitholders' equity and include their contributions, undistributed net income from investments (or accumulated investment losses), undistributed net realized and unrealized gains (or accumulated net realized losses), and net increase/decrease in the value of investments and other assets.

net equity concept Relating to the law of *zakāh*, it is a concept for assessing the liability of *zakāh* payable in Saudi Arabia. Briefly, *zakāh* is payable in Saudi Arabia on the net equity of a business. It is calculated as follows: first add (a) Paid-in capital (plus owner's account if proprietorship) at the beginning of the year. (Any addition during the year is ignored, since it does not meet the 'passage-of-the-one-year' condition.) (b) Retained earnings including any reserves or appropriations. (c) Net income for the year before any distribution. (d) Income to be distributed unless it is deposited in a bank under the direction of stockholders. The company has no right

to withdraw any amount from it. From the total of (a) + (b) + (c) + (d), deduct total of (e) + (f) + (g), which are defined as: (e) Net fixed assets at the end of the year after deducting accumulated depreciation and any related debt, but not more than the sum of paid-in capital, retained earnings, reserves and owner's capital at beginning of the year. (f) Investment in another entity. (g) Actual losses for the current year or prior years. The net amount would be called 'net equity' for the purposes of *zakāh*.

al-niṣāb Exemption limit for the payment of *zakāh*. It is different for different categories of wealth.

nizām al-misāḥah Relating to administration of land revenue, the system of levying *kharāj* on the basis of area cultivated irrespective of the produce. This system remained in vogue from the times of the first four caliphs to the times of the 'Abbāsīd caliph Mahdi (AD 775–785) who changed it to *nizām al-muqāsamah*, that is the system of tax on the basis of produce.

nizām al-muqāsamah Relating to administration of land revenue, the system of levying *kharāj* on the basis of the produce of land. This was adopted by the 'Abbāsīd caliph Mahdi (AD 775–785). The system of land revenue on '*ushrī* lands was also that of *muqāsamah*.

non-commingled muḍārabah Relating to Islamic banking, a form of *muḍārabah* in which the Islamic bank accepts funds for investment from its clients and invests them without contributing any funds from its own resources.

O

object deferred sale An alternate term for **bai' al-salam**, where money is paid in advance and the goods are delivered later.

operating 'ijārah An operating lease that does not include a promise to transfer the title of the leased asset to the lessee at the end of the lease.

orfī hukūk *Lit:* conventional law. *Tech:* A combination of customs of people and regulations of the Ottoman rulers relating to land administration during the Ottoman period (AD 1281–1924).

output sharing certificate A proposed financial instrument for mobilizing resources by the government, it takes the following form: the government sells an existing income-earning fixed asset, such as toll bridge or a highway, to certificate holders. The proceeds of the sale are needed for another governmental project, whatever it may be, and the purchasers have nothing to do with this matter. Certificate holders may assign a governmental bridge authority (or any other body of their choice) to run the property on the basis of output sharing, while all the running expenses are borne by the managing authority. Of course, expenses are taken into consideration in determining the rate of output sharing. Alternatively, a private contractor may issue shares and invite investors to construct a toll bridge which will be managed by the governmental bridge authority on the basis of output sharing. The bridge authority may also be the construction contractor as deputed by shareholders. The output sharing certificates can be made negotiable at the stock exchange. They represent actual property. They can thus be sold at market prices. For new projects, there may be a certain waiting period until cash funds are substituted for physical property and/or construction material. They do not necessarily involve redemption like common stock as they represent the full ownership of fixed assets. They also expose holders to risks resulting from natural calamities as well as commercial risks. The output sharing certificates may represent projects in which an allowance for amortization of capital may or may not be made. In the latter case, the periodic distribution of output shares represents both a portion of the principal and a return. This approach may be suitable for projects based on exploiting a franchise or when there is a condition for transferring ownership of the projects or its assets to the public sector after a certain period.

P

pagari system See **ḥikr**.

parallel salam A type of *bai' al-salam* where a financial institution that has purchased some agricultural commodity enters into a secondary

contract with another party to supply the commodity and thus recovers its investment with some profit or loss. See also **bai' al-salam**.

paria Derived either from the Arabic *barā'* (to be free, acquitted, cleared of a debt) or *barā'* (which in some forms means to donate, give or concede), was the tribute paid by the *ṭā'ifah* states of the Andalus in the eleventh century (after AD 1031) when the Umayyad dynasty had disintegrated. The small *ṭā'ifah* states paid *parias* to the Christian rulers. *Parias* were first paid to Ramon Berenguer I of Catalonia during the 1040s, and soon became a widespread phenomenon. Some *ṭā'ifah* states paid multiple *parias*. Most *parias* stopped with the arrival of the Almoravids in 1085, putting an end to the tributary status of the southern al-Andalus.

participation It is a *mushārah* in which the Islamic bank owns shares or units representing an equity stake in another firm's capital.

participation bonds A financial instrument issued by Tehran Municipality in 1994. The bonds were underwritten by Bank Millie Iran. There was a minimum guaranteed return, beyond which if the actual profits were higher, the holders would get a share. The funds raised by the sale of these bonds were to be invested on projects with a positive economic return.

participation term certificate See PTC.

participatory 'istiṣnā' A mode of finance that combines features of pure *istiṣnā'a* and some features of *mushārah*. This mode of finance is suitable where a foreign party joins a host party to establish a project. In this mode of finance, the project is conceived and specified by the host party but established by the foreign party. The host party operates the project. The ownership of the project is gradually transferred to the host party. The foreign party shares in the profits or output instead of claiming a fixed price.

participatory redeemable capital Outside capital not based on interest and raised for business other than permanent part of equity of a company. An obvious example is 'participatory term certificates' of Pakistan. They take the place of debentures in the interest-based system.

partnership shares Proposed in the model of interest-free banking by some. Normally to be issued by the state, they are an instrument for obtaining funds from the private sector for investment in the public sector on the basis of partnership. The holders of these share certificates are owners of respective enterprises in which their funds have been invested. These shares are transferable and marketable.

patriot 'ummah saving scheme A scheme started by Bank Partanian Malaysia (BPM) in 1990. Under the scheme, a person pays the bank a minimum of ten *ringgits* to start a saving bank account. Instead of earning interest on his saving account, the saver gets a bonus, which is equal to inflation rate in the economy. Thus, the scheme protects real value of the savings.

PLS counters Profit-loss sharing counters opened from 1 January 1980 at the five nationalized banks of Pakistan. The counters accept deposits for varying duration and use them for financing on the basis of *al-mushārah*, *al-muḍārah*, *bai' al-mu'ajjal* and *bai' al-murābah*.

PLS ratio Profit-loss sharing ratio used in the interest-free banking model of the Council of Islamic Ideology, Pakistan (1980). The PLS ratio was the ratio of financiers' funds with the entrepreneurs' funds. It is supposed to play the role of a monetary policy instrument in lieu of bank rate in interest-based financial model.

PLS security A proposed financial instrument in the interest-free framework. It is a title of ownership of a common share in the net worth of a project and is entitled to any profit or loss arising from the operations of the project. The seller issues PLS securities and invests the funds in buying goods for cash or for an advance payment and reselling the goods on deferred payment basis or for renting the asset. The PLS securities could be either of the following types: (i) one transaction *muḍārah* certificates; (ii) fixed-term *muḍārah* certificates; (iii) one-term *mushārah* certificates; and (iv) fixed-term *mushārah* certificates. The PLS securities would be negotiable in secondary market provided their value represents real assets to the extent of more than 50 per cent of their value. While announcing the sale of PLS securities, the seller should guarantee that at

no time the real assets of the project will become less than 50 per cent. If the certificates may become non-negotiable at any time (as they represent less than 50 per cent of the real assets of the project), the seller should undertake to inform the holders of the certificates of any change in the structure of the net worth, which may prevent their negotiability.

PLS system Profit-loss sharing system proposed by the Panel of Economists and Bankers and endorsed by the Council of Islamic Ideology, Pakistan (1980). The PLS system is the main plank of Islamization of financial institutions in Pakistan. Under the system the savers deposit their funds on the basis of PLS. The banks provide finance on the basis of approved modes such as *mushārahah*, *muḍārabah*, mark-up, mark-down, leasing, lease-purchase and rent-sharing.

Preferential Trade Agreement for North Africa See PTANA.

price deferred sale An alternate term for **al-bai' al-mu'ajjal**. Credit sale.

price and object deferred sale A sales contract where goods and price thereof are deferred. Under the normal rules of the *sharī'ah*, it is not a lawful contract. But *bai' al-istiṣnā'* is one such sale where both the goods and the price are deferred and the Ḥanafites allow it on the basis that the *bai' al-istiṣnā'a* is not a binding agreement.

productive muḍārabah A contract of *muḍārabah* wherein the owner of raw material gives the material to an artisan or worker to manufacture a certain product with the stipulation that the finished product will be sold and the profit will be shared by them.

profit equalization reserve It is the amount appropriated by the Islamic bank out of *muḍārabah* income, before allocating the *muḍārib's* share, in order to maintain a certain level of return on investment for investment account holders.

profit-sharing certificates A proposed instrument of Islamic banking. The certificate would be offered by commercial banks to savers. A profit-sharing certificate involves investing a certain sum of money into short term operations. Its maturity can vary from 60 days to one year. It offers diversification among short-term placements. All these characteristics would make it especially marketable and relatively attractive to savers who desire to stay closer to the higher edge of the liquidity spectrum.

profit-sharing cost-plus model A model of Islamic banking in which the bank shares profits with depositors but provides funds to entrepreneurs on cost-plus techniques like *murābahah* and *'ijārah*.

profit-sharing deposits Financial instrument of *ribā*-free economy. Indicates deposits with commercial banks on the basis of profit sharing.

provision With reference to Islamic banks, a provision is essentially a contra-asset in the statement of financial position and is constituted by charges made as expenses to the banks' income statement. See also **specific provision**.

provisional rate of profit Relating to the *mushārahah* financing by banks in Pakistan, it means the rate which is determined after deducting a good management fee from the projected rate of profit and after taking into account the weightage, if any, given to any of the funds deployed. See also **good management fee**.

PTANA (Preferential Trade Agreement for North Africa) Signed by Algiers, Egypt, Libya, Mauritania, Morocco and Tunisia in 1987. Aims are to establish a preferential trade area in the region.

PTC (participation term certificate) A financial instrument used by Islamized banks in Pakistan to replace debentures. Holders of the PTCs share in the profit or loss of the issuing companies. Usually issued for a maximum period of 10 years, secured by a charge on the assets of the

company, the PTCs have a prior claim on profits of the company. Any loss is first met from past reserves, and any left-over loss is shared by all providers of the capital including PTC holders. In practice, PTC has imbibed the spirit of interest. The PTC scheme requires a 'pre-production discount rate' on long-gestation period projects. Similarly, when the company does not have profits to pay to holders of the PTCs, then it is required to issue additional PTCs in the name of existing holders, the amount being equal to the expected profit of the PTC holders. In certain cases, the PTC holders might also get equity holdings equal to the loss of the company. The PTC holders do not suffer a loss in any case. Thus, the PTC has been criticized widely for being against the Islamic financial principles. The instrument was discontinued in the early 1990s.

public utility warrants A financial instrument to raise funds by the government or a public utility corporation. A public utility corporation may contract with its consumers to sell them a certain quantity of electricity in the future at a mark-down price against advance payment. This can also be adopted for certain services, such as the government may raise funds for constructing a university with the promise that the warrant holders will be able to get their children educated at a cheaper rate in future for a given number of years.

Q

al-qābil In a contract of tax-farming (*qibālah*), a person who provides surety in landed property for the payment of tax. It is used in the same sense as *al-kafīl*. The *qābil* was a tax-farmer who acted as an intermediary between the tax payers and the government's tax collectors. When a person entered into a contract of *qibālah*, he was assumed to be accountable for a fair treatment of the tax payers besides being responsible for such development works as levelling of land, water-supply channels and rural roads. His expenses for this were met by *diwān al-kharāj*. The contract of *qibālah* was awarded by public auction. The tax-farmers were usually local chiefs, ex-administrative officers, managers and merchants. The contract was given to the lowest bidder. The bid meant the wage the tax-farmer would claim for collecting and depositing the tax (which was often in kind).

qadah A measure of volume used in Makkah of *Mamlūk* period (AD 1250–1517). Equal to 0.94 litres.

al-qafīz *Lit:* A dry measure. *Tech:* One *qafīz* is equal to 12 *ṣā'*. According to Ḥanafites, it is equal to 39.138 kg or 40.344 litres, while according to other jurists it is equal to 26.064 kg or 32.974 litres.

al-qafīz al-ḥajjājī A grain measure, 1 *qafīz ḥajjājī* is equal to 8 *raṭls*, or 96 *uqiyahs*, or 12343.68 *dirhams* or 3.2615 kg.

qafīz al-ṭahhān *Lit:* A measure of flour given to grinder of grains as wage for his services. *Tech:* Basis of the Ḥanafite law that no wages should be paid in the form of the product produced by the worker, as it may involve uncertainty.

al-qanā'ah *Lit:* Contentment, frugality. *Tech:* Attitude of a Muslim to remain contented with what he gets as a result of lawful struggle.

al-qānūn *Lit:* Law. *Tech:* Abbreviated from *qānūn al-kharāj*, the rent roll that was the basis of tax levy during the 'Abbāsīd period (AD 750–945).

qānūn al-kharāj Prevalent in the days of 'Abbāsīds (AD 750–945), the *qānūn* referred to an official register (*daftar*) containing basic data of taxable and arable lands. Information in this register was used for assessing tax on land. Enabling surveys, undertaken for each village, began in Qumm, Persia in AD 804. Detailed instructions specifying duties of a surveyor (*māsīh*), survey method and assessment rates were provided. In keeping with contemporary overhauls of fiscal policies, updates in the *qānūn* were quite common.

al-qarḍ *Lit:* To cut, to sever. *Tech:* Loan of *mithlī* articles (such as money) with the stipulation to return its like in the future. It is a general term for monetary loans without a deadline for repayment.

al-qarḍ al-ḥasan *Lit:* A virtuous loan. *Tech:* A loan with the stipulation to return the principal sum in the future without any increase.

qard ḥasan certificates Short-term certificates issued by the Malaysian government in order to obtain interest free loans from banks, institutions and private individuals. The principal is repaid to its owners by the government without any benefit to the certificate holders.

al-qaṣabah A measure of length equal to 13.6604 m.

al-qassām *Tech.*: Relating to *zakāh* administration, it refers to the person appointed to distribute *zakāh* revenues.

al-qaṭa‘ See **al-muqaṭa‘ah**.

al-qaṭī‘ah See **al-‘iqṭā‘**.

Qatar Islamic Bank Incorporated on 7 July 1983. Authorized capital, QR 200 million; paid-up capital, QR 50 million.

Qatar International Islamic Bank Incorporated in the State of Qatar as a Qatari Shareholding Company by ‘Amīrī Decree in 1990. Its main office is in Doha with three branches in Qatar. Its total equity was QR 121 million at the end of 1998.

al-qibālah Used in two senses. First, it is equivalent to that form of tenancy in which the landlord receives a fixed share of crop or a fixed sum of money or both; it is thus almost synonymous with *muzār‘ah* and *kirā‘ al-‘ard*. Second, tax-farming in which a tax-farmer guarantees and pays a lump sum to the state and obtains the right to collect rents and revenues from the contract land, retaining the difference between the two.

qibālātul ‘arḍ An arrangement in which the state leases its land to a person for some rent.

qibālātul kharāj An alternate term for **qibālah**.

al-qīmah *Lit:* Value, worth, size of an amount. *Tech:* Price of an article as prevalent in the market as compared to *thaman*, which is the price of an article as agreed by the buyer and the seller irrespective of the market price.

al-qīmār *Lit:* Gambling. *Tech:* An agreement in which possession of a property is contingent upon the happening of an uncertain event. By implication it applies to those agreements in which there is a definite loss for one party and definite gain for the other without specifying which party will lose and which will gain.

al-qīmī *Lit:* Non-fungibles. *Tech:* Things that are distinguishable. For example, if a person borrows a horse, it is not the same thing to return any horse. Horses are distinguishable by colour, age, lineage, etc., and are therefore *qīmī*. See **al-mithlī** for indistinguishable things.

al-qinṭār A weight of varying measures in different periods of the Muslim history. It refers to a large quantity of gold and silver. Some say it was equal to 1200 *'ūqiyah*; others say it was equal to 1000 *dinārs*; still others think it was equal to 1200 *dirhams*. In another opinion it was 80 000 *dirhams* or 100 *raṭls* of gold.

al-qirād An alternate term for **al-muḍārabah**.

qirād market Market for *qirād* funds. In Islamic economy, funds for *qirād* may be available through banks, insurance companies, joint stock companies, mutual funds, investment trusts and other financial intermediaries. The supply of and demand for *qirād* funds determines the ratio for distributing uncertain outcomes of the enterprise. This ratio has been variously termed in the literature as *qirād* rate, profit-share, *muḍārabah* rate, etc. The *qirād* market automatically adjusts this rate but the central bank may also intervene and prescribe *qirād* rates for different sectors.

al-qīrāt A measure of weight and length of varying sizes in different ages. A *qīrāt* for measuring silver and commodities is equivalent to 0.248 g and for measuring gold, 0.2120 g. For measuring length, a *qīrāt* is equivalent to 175 m.

al-qirbah *Lit:* A skin bag for water. *Tech:* A measure for liquids equivalent to 40 *ṣā‘* or 68.48 litres.

qismatul ghuramā’ Distribution of the assets of the bankrupt among the creditors in proportion to their debts.

al-qist *Lit:* A measure. *Tech:* One *qist* is 0.5 *ṣā‘*. According to Ḥanafites, it is equal to 1.607 kg or 1.680 litres, while according to other jurists it is equal to 1.086 kg or 1.374 litres.

al-qiya’s *Lit:* Measure, example, comparison, analogy. *Tech:* Derivation of the law on the analogy of another law if the basis (*‘illah*) of the two is the same. It is one of the primary sources of Islamic economics.

al-Qur’ān The book of Allah revealed to the Prophet Muḥammad and transmitted to the present age through an incessant chain.

al-quṣārah In a contract of *muḥāqalah*, grains left over in the ears after thrashing. The *quṣārah* belonged to the landlord.

R

al-rabā‘yah Relating to the *niṣāb* of *zakāh*, a she-camel in her seventh year.

Rabb Attribute of God as the Sustainer of the entire universe. Sustenance includes fostering, bringing up, regulating and completing the evolution of things from the crudest state to that of the highest perfection. God is *Rabb* of the entire universe. Belief in Him as a Sustainer is basic to Islam and defines a large number of socioeconomic relations in the Muslim society.

rabb al-‘amal *Lit:* One who undertakes an activity. *Tech:* Relating to the law of *‘ijārah*, an employer of a full-time employee or a person who

engages someone for a particular job, like a client of a lawyer, or a customer of a tailor or a company that engages an accountant for auditing.

rabb al-'arḍ Landlord in a contract of *muzār'ah*.

rabb al-'aṣl Owner of capital in a contract of *muḍārabah*.

rabb al-māl In a *muḍārabah* contract, the person who invests the capital.

rabb al-salam A buyer in a contract of *bai' al-salam*.

al-rabī' Streamlet for irrigation of land. Regarding contract of *muzār'ah* in pre-Islamic days, the crop grown on the area irrigated by the *rabī'* was considered to be the share of the landlord.

al-raḍkh *Lit:* A small, paltry gift. *Tech:* A small gift from out of *ghanimah* for non-combatants (*ghair ghānimīn*).

al-rafāh Enjoyment of comforts and amenities with humility and obedience to God. See **taraf**.

al-rahn *Lit:* Readiness or immutability or durability. It also implies that a thing is inseparable from or tied up with its acquisition, earnings and deeds. *Tech:* To pledge or lodge a real or corporeal property of material value, in accordance with the law, as security for a debt or pecuniary obligation, so as to make it possible for the creditor to regain the debt or some portion of the goods or property.

al-rahn bil darak For the buyer to keep something as mortgage in case of a third party's later claim on the goods; withholding a part of the price as a mortgage.

al-Rajhi Company for Islamic Investment Saudi Arabia Incorporated in December 1980. Has 230 branches in Saudi Arabia. It is part of

al-Rajhi Group which capitalized at about US\$ 1.38 billion at the end of 1999.

rakkād A category of merchants in the eleventh century of al-Andalus, who travelled on business for himself or in partnership with some other sedentary merchant.

ra's al-māl al-salam In a contract of *bai' al-salam*, the price of the commodity sold.

al-rashā' See **al-gharb**.

rate of muḍārah Ratio of profit-sharing between the owner of the capital and the entrepreneur, who uses these funds on the basis of *muḍārah*. It is an alternative for or parallel to the rate of interest in the capitalist economy where funds are advanced by one party to the other as a loan. Manipulation in the rate of *muḍārah* can be made to adjust the supply of and demand for investible funds in the Islamic economy.

raṭl bil-'ashyā' *Lit.*: A weight. *Tech.*: One *raṭl* is 128.57 *dirhams* or 407.695 g.

raṭl al-fiḍḍah A weight equal to 480 *dirhams*, 12 *'ūqiyah* or 1428.4 g.

receivables With reference to Islamic banks, receivables are amounts due from clients as a result of sale transactions through the financial instruments of *murābahah*, *salam* or *'istiṣnā'*.

redeemable equity See **acquired equity**.

redeemable mushārah certificates A proposed financial instrument for government to raise funds for creating revenue-generating assets. The certificates are issued with the explicit condition that the government

will have the right to buy out stakes of other parties in a planned manner. The profit-sharing ratio would be equal to the share of each party in the total capital during a given accounting period. It would change for every certificate over time with changes in the stake of the certificate holder. The certificate holders would be able to sell their stakes between themselves and among others at going market rates.

religious supervisory board A board of religious scholars appointed by an Islamic financial institution to oversee the process of implementation of the Islamic laws.

rent-sharing A mode of financing adopted by financial institutions in Pakistan, according to which the financial institution provides part of the finance for construction of a house. The client and the financial institution share in the presumptive rent of the house. Since maintenance and taxes are to be paid by the client, a suitable allowance is given to him in the share of the rent. Similarly, the financial institution's share is adjusted upward to provide for administrative expenses. But all legal charges are paid by the client and the house remains mortgaged until the financial institution receives back all due to it.

reserves With reference to Islamic banks, a reserve is essentially a component of equity (of either investment account holders and/or shareholders) and is constituted by appropriations out of income.

restricted investment account Relating to Islamic banking, refers to an investment account in which the bank has the authority to invest the account holder's funds on the basis of *muḍārabah* contract or agency based contract for investment, but has certain restrictions as to where, how and for what purpose the funds are to be invested. Further, the Islamic bank may be restricted from commingling its own funds with the restricted investment account funds for purposes of investment. In addition, there may be other restrictions which investment account holder may impose. For example, investment accounts holders may require the Islamic bank not to invest their funds in installment sales transactions or without guarantor or collateral or require the Islamic bank carry out the business itself rather than through a third party.

revenue sharing bonds Bonds introduced by the government of Turkey to attract private capital for infrastructure projects such as bridges, roads, power plants, highways, telecommunication, etc. The return on the bonds is not guaranteed but is calculated annually on the basis of the revenues accrued to these infrastructure projects.

revolving muḍārabah A parallel of credit line in conventional banks, it is a *muḍārabah* facility extended by an Islamic bank with the condition that if the client repays part or whole of the balance outstanding against him, he would be entitled to obtain *muḍārabah* funds to that extent again subject to the overall sanctioned limit.

al-ribā *Lit:* An excess or increase. *Tech:* An increase which in a loan transaction accrues to the lender over time without giving an equivalent counter-value or recompense (*'iwaḍ*) in return to the borrower.

ribā al-'ajlān An alternate term for **ribā al-faḍl**. In a transaction of barter exchange involving a single commodity from both sides, where one party gets an excess in exchange. This is in contrast to *ribā al-nasī'ah*, which is a transaction of loan and the lender gets something in excess over the principal sum lent with the passage of time.

ribā al-buyū' An alternate term for **ribā al-faḍl**.

ribā al-duyūn A substitute expression for the Qur'ānic *ribā* or *ribā al-nasī'ah*.

ribā al-faḍl A sale transaction of the *'amwāl al-ribawīyah* (commodities where the injunction relating to *ribā* is applicable) in which a commodity is exchanged for the same commodity but unequal in amount and the delivery of at least one commodity is postponed. To avoid *ribā al-faḍl*, the exchange of commodities from both sides should be equal and instant (*yadan biyadin*). *Ribā al-faḍl* has been prohibited by the Prophet as a measure to forestall the *ribā* from creeping into the economy through back door.

ribā al-jāhilīyah The *ribā* prevalent in Arabia in pre-Islamic days.

ribā al-jalī *Lit:* Manifest increment. *Tech:* An alternate term for **ribā al-Qur’ān**.

ribā al-khafī *Lit:* Concealed increment. An alternate term for **ribā al-faḍl**.

ribā al-nasī’ah Increment on the principal of a loan payable by the borrower. It refers to the practice of lending money for any length of time on the understanding that the borrower would return to the lender at the end of this period the amount originally lent together with an increment in consideration of the lender having granted him time to pay. The increment is known as *ribā al-nasī’ah*. It was in vogue in Arabia in the days of the Prophet.

ribā al-Qur’ān The *ribā* that has been explicitly prohibited in the Qur’ān. See **ribā al-sunnah**.

ribā al-sunnah Transactions involving *ribā* prevalent in Arabia of the Prophet, prohibited by the *sunnah* of the Prophet. An alternate term for **ribā al-faḍl**. See **ribā al-Qur’ān**.

ribā al-yad A sale transaction that involves barter exchange of the same commodity in unequal amounts and postponed delivery by either or both parties. An alternate term for **ribā al-faḍl**.

al-rībah *Lit:* Doubtful. *Tech:* Income that has the semblance of *ribā* or which raises doubts about its legality.

al-ribḥ al-mu’tād *Lit:* Usual profit, normal profit. *Tech:* The rate of profit prevalent in a trade in a competitive market. Although there is no quantitative limit on the rate of profit in the *sharī’ah*, it is not expected to go beyond *al-ribḥ al-mu’tād*. Charging profit over and above this is condemned in a Muslim society.

al-rikāz Hidden treasure.

al-riqāb *Lit:* To liberate a soul. *Tech:* One of the eight heads of account mentioned in the *Qur'ān* on which *zakāh* funds can be spent, meaning to spend money for the liberation of slaves. These days this head of account does not seem to be relevant.

risk exposure factor In relation to Islamic banking, it has been argued by some people that weight should be given to capital in proportion to its exposure to risk and period of investment before sharing profit or loss, which is the risk exposure factor. Capital at face value should be multiplied by a *risk exposure factor* for arriving at the *effective capital*. Also see **effective capital**.

al-rizq *Lit:* Livelihood, means of living, subsistence. *Tech:* It has been used to denote all the resources at the disposal of man on earth. God speaks of these resources as one of His blessings. Man is accountable to God for his share of the *rizq*, that is, how he acquired these resources and how he utilized them.

ROSCA (Rotating Savings and Credit Associations) A group of participants who make regular contributions to a fund which is given, in whole or in part, to each member in turn. The first collector receives an interest-free loan from all the others. The last in line is saving money as he extends credit to his fellows. The others alternate between debtor and creditor positions.

rub' A measure of volume equal to one-fourth of a *mudd* used in the Mamlūk (AD 1250–1517) period of Makkah.

al-ruq'ah Banking instrument of the medieval Muslim period, it was a payment order to draw money from the bank.

ruq'ah al-ṣairif *Lit:* Paper slip of the money-changer. *Tech:* A type of promissory note prevalent in the twelfth century AD Muslim world to

facilitate retail and wholesale commercial transactions. It was issued by bankers to individual merchants who had actually made payments to the banks, who had money or valuable goods deposited in the bank or who simply were preferred customers.

al-ruqbā *Tech:* Giving a property to someone on the condition that if the donor dies before the donee it shall become the property of the donee and his heirs but if the donee dies first the property given shall return to the donor.

al-rushd *Lit:* Good conduct, sensible conduct. *Tech:* Prudence in using the resources. *Al-rushd* is an essential condition for the right to own property in Islam.

al-ruznāmaj Pertaining to fiscal administration of the 'Abbāsids (AD 750–945), it was an official register that contained financial transactions of each day, like tax collected or payments made on a particular day.

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al-ṣā' *Lit:* A cubic measure of varying magnitude. *Tech:* One ṣā' equals 8 *ratls* (in Ḥanafite school) or 5.33 *ratls* in other schools. In Ḥanafite school, it is equivalent to 3.2615 kg, whereas in other schools it is equivalent to 2.172 kg. For measuring liquids, it is equal to 3.362 litres according to Ḥanafites and 2.748 litres according to others.

al-ṣā' al-shar'ī The ṣā' prevalent in the days of the Prophet Muḥammad. The jurists of later days used it to translate the equivalents of their own respective time into the measure of the Prophet's time to determine *niṣāb*, *diyāh*, *fiṭrah* and other religious levies.

al-ṣabr *Lit:* Patience. *Tech:* A value of Islamic society. The Muslims are enjoined to bear economic hardship with patience and not to feel inclined towards acquiring resources by unlawful means. It does not preclude, however, protest against economic injustice and exploitation.

al-ṣadaqah *Lit:* Charity. *Tech:* In its widest sense it means an attitude of mutual appreciation, affection, mutual assistance, an act of loyalty to God and to one's fellow beings, a sense of true human hood. At material level, it consists of two kinds: *al-ṣadaqah al-taṭawwu'* given at the free will of the donor and *zakāh*, the obligatory tax imposed by the *Qur'ān* on the Muslims having wealth beyond a certain limit.

ṣadaqah al-fiṭr A small sum levied on all Muslims having income above a certain exemption level to be paid during the month of *Ramadan* to the poor people of the community. This *ṣadaqah* is obligatory and is an important part of the overall system of *ṣadaqāt* in Islam.

al-ṣadaqah al-jārīah A form of charity, benefits of which continue to accrue over generations, such as building a mosque, providing a well for drinking-water and constructing inns for travelers, etc. The range of *al-ṣadaqah al-jārīah* is very broad. The establishment of charitable trusts (*awqāf*) is an important example. The Muslims have been exhorted by the Prophet to invest their wealth in *al-ṣadaqah al-jārīah* with promise of rich reward in the hereafter. Spending on such acts carries a high value in the Muslim society.

al-ṣadaqah al-mawqūf A form of *waqf* in which a person assigns his property to a man and his indeterminate progeny which reverts to the next of kin of the original donor once the line of beneficiaries had died out.

ṣadaqah al-najwah Contribution required before seeking private consultation with the Prophet. This was made obligatory for a short time but abrogated subsequently.

ṣadaqah al-sawā'im *Zakāh* on the grazing animal. See also **al-sawā'im**.

al-ṣadaqāt al-wājibah Compulsory charity such as *zakāh*, *ṣadaqah al-fiṭr*, etc. It also includes penal charity for such sins as breaking of oath, breaking of fast, etc.

al-sadis Relating to the *niṣāb* of *zakāh*, a camel in its eighth year.

al-ṣadūqah Official designation for informal partnership during Fāṭimids (AD 969–1171) and 'Ayūbid (AD 1183–1260) Egypt.

al-safāhah *Lit.*: Foolishness, imprudence. *Tech.*: The quality of squandering wealth recklessly and against the spirit of the *sharī'ah*. It includes *'isrāf* and *tabdhīr*. The quality of *safāhah* invites the law of *ḥajr* by which the state can impose such restrictions on the utilization of assets as may be necessary to safeguard personal and social interests. One who has the quality of *safāhah* is known as *al-safīh*, which is the antonym of *al-rashīd*. *Sufahāh* include minor children, lunatics, extravagant persons and those who spend money to promote evil in the society. See also **al-ḥajr**.

al-safīh See **al-safāhah**.

al-ṣafīyah Share taken by the leader of an army before division of booty, such as a horse or a sword. The term was later used as *ṣawāfī* (sing. *ṣafīyah*) lands or possessions which the *sulṭān* appropriated exclusively for himself. It also meant all lands which their owners had abandoned or the owners of which had died leaving no heirs.

al-ṣafqah *Lit.*: Striking of the hand of one person upon the hand of another in ratifying a sale or purchase and a covenant. It is also used to signify the contract that is itself made in the case of a sale.

ṣāhib al-'ashghāl Finance secretary in the fourteenth century Muslim Spain. See also **musharrif**.

ṣāhib bait al-māl See **bait al-māl**.

ṣāhib al-'īnah In a contract of *bai' al-'īnah*, the borrower.

ṣāhib al-kharāj An officer of the Muslim government responsible for the collection and administration of *al-kharāj*.

ṣāhib al-maks *Lit:* Tax-collector. *Tech:* Tax-collector in the market who would take as tax more than what is due. Such a dishonest official has been condemned by the Prophet.

ṣāhib al-māl In a *muḍārabah* contract, the person who provides the capital. See also **rabb al-'māl**.

ṣāhib al-niṣāb Relating to the law of *zakāh*, one who possesses wealth in excess of the exemption limit. Also used for one who possesses sufficient means to offer sacrifice on 'Eid al-Adḥā or for pilgrimage to Makkah. See also **al-niṣāb**.

ṣāhib al-sūq *Lit:* Guardian of the market. *Tech:* An alternate term for the *muhtasib* before the latter term gained currency.

al-sā'ī *Lit:* The messenger. *Tech:* *Zakāh*-collector who visits people at their places to collect the *zakāh*.

saib al-baḥr Product of the sea, such as fish, amber and pearls. They are a free, natural gift and fall in the category of public property.

al-saibah A property that has been abandoned by its owner without transferring it to someone else.

ṣā'is *Lit:* Stableman. *Tech:* The person who used to collect *zakāh* on cattle.

al-ṣakk *Lit:* Order of payment. *Tech:* The term was in vogue during the Muslim period. The *ṣakk* was a payment order on a banker with whom a person had an account.

salaf *Lit.*: Advance payment; pre-payment, interest-free loan. *Tech.*: Interest-free loan for a specified period. Also used as an alternative term for *bai' al-salam*, whereby an advance payment is made as price of the specified goods to be delivered in the future at a specified date.

salam See **bai' al-salam**.

salam bonds A proposed financial instrument for borrowing funds by government. The government can issue these bonds for supplying some goods or services in the future (on the principle of *bai' al-salam*). The bonds will be non-negotiable but they are denominated in physical quantities rather than in money terms. The bond holder can return the bond before time at par value and get the money back from the government. The incentive for the bond holders will be that the government will agree to provide the specified goods or services with a mark-down on the current market price or in times of inflation at the current market price. In the latter case, the government will not increase the price despite inflation.

salam certificates A proposed financial instrument for raising funds by the government. The government can offer to sell specified quantities of a certain commodity at a specified price on the basis of *bai' al-salam*. The government can use the cash immediately and supply the commodity at a future date. The holders of these certificates can sell them in the market at going market price of the commodity. To overcome the difficulty of selling something which does not exist and over which a seller does not have the possession, the sales contract can provide for a refund of the sale price by the immediate seller and the original seller's consent to transfer his collection rights. The *salam* certificates once sold can be re-purchased by a party, and this would not clash with the *shari'ah* restriction on trading debt for debt.

sales With reference to Islamic banks, it is an exchange transaction using any of the Islamic instruments such as *murabahah*, *salam* or *'istiṣnā'*.

SAMA (Saudi Arabian Monetary Agency) Established in 1951 as a semi-independent institution, it is the central bank of Saudi Arabia. It manages the Saudi monetary policy.

al-samāḥah *Lit:* Magnanimity, generosity. *Tech:* Spirit of beneficence in commercial dealings, especially among debtors and creditors. It is an important economic value of the Muslim society. The Prophet exhorted the Muslims to forego their claim from a debtor in part or in full and to extend the period of payment if the latter was a victim of uneven circumstances. In other commercial dealings also the give-and-take should be done in a spirit of magnanimity.

al-sānīyah *Lit:* Water scoop. *Tech:* Water scoop fetched by camels. Produce of land irrigated by *sānīyah* is subject to half 'ushr (i.e. 5 per cent) on the gross produce.

sard mursal A measure that conformed to an older authorized pattern. 'Imām Abū Yusuf recommended that the crop yield between landlord and tenant be distributed by using *sard mursal*. The emphasis seemed to be on the use of an authorized measure because it was nearer to justice.

al-ṣarf See **bai' al-ṣarf**.

al-sariqah *Lit:* Theft. *Tech:* Taking away the property of another in a secret manner at a time when such property is in proper custody.

al-ṣawāfī Public estates belonging to the crown. They were also known as *ḍa'iah al-'āmmah*. Income from them accrues to the *bait al-māl al-'āmmah*.

al-swā'im *Lit:* Pasturing animals. *Tech:* Animals bred and pastured with the purpose of increasing their stock. Not included in this category are animals kept for riding, for work or for carrying of loads.

al-sawm *Lit:* Offer for sale of a commodity. *Tech:* It implies distracting a customer by offering a lower price or superior quality of an article; for instance, two persons might agree on a deal for a certain price, but another person intervenes and says to the buyer, 'I can sell you the same thing for a lower price'. In the present-day jargon, it may also include under-selling a commodity or dumping goods in the market.

service 'ijārah bonds A proposed Islamic financial instrument for meeting budgetary deficit of government. The government can issue bonds to its employees in lieu of paying them in cash for their services. The employees could avail of certain services provided by the government at cheaper rates. For example, a person holding the bonds will be able to get admission for his dependents or anybody he wants at a prime educational institution by paying concessional fees. These bonds can also be made tradeable on the market. They will have a maturity date. They can be made usable for specific services like education, health and for specific institutions. But they can be made all-purpose bonds. The price of these bonds will vary according to the supply and demand for various services and maturity date of the bond.

sittūq dirham *Lit:* A coin without any redeeming quality. A coin of poor quality. *Tech:* Relating to the law of *muḍārabah*, no valid agreement can take place with *sittūq dirhams*.

SER (shared equity and rent) An Islamic finance alternative to *ribā*-based home loan as practised by MCCA Ltd, Australia. The MCCA joins a prospective home purchaser with equity. The total cost of purchase is shared. The property is registered in the name of the client as well as MCCA. The rent of the property is determined in the light of the rent rates announced by the Australian Real Estate Institute periodically. To these rates is added the average growth rate of rents over the last 15 years. The value of the property remains fixed throughout the period, with the client having the option to purchase the MCCA share at the original purchase price. Till then, he pays the MCCA rent in proportion to the latter's share in the property.

SESRTCIC (Statistical Economic and Social Research and Training Center for Islamic Countries) Founded in 1978 as an organ of OIC, and based at Ankara, the center, in cooperation with the IDB, Jeddah and the Turkish Institute for Statistics aims to expand into a data bank in which all data relevant to economic policy in the Islamic world would be available. The center performs policy-oriented studies for experts and ministerial meetings of OIC.

shafī' jār A person, who owns an immovable property adjacent to the immovable property sold, has a right of preemption.

shafī' khalīf A participant in the immunities and appendages of immovable property sold, such as the right of passage of water or the right of irrigation.

shafī' sharīk A person who is co-owner of some undivided immovable property with another person or persons.

shahnah Relating to administration of 'iqṭā' in India of the sixteenth century AD. The *shahnah* performed the functions of an 'amīr who, instead of the *muqṭā'* (assignee), governed the *khālīṣah* areas.

al-sh'īrah *Lit:* A grain of barley. *Tech:* Weight equivalent to 0.06 g and a measure of length equivalent to 0.320 cm.

shared equity and rent See **SER**.

sharṭain fī bai' Two conditions in a contract of sale. Such a sale is affected when a vendor says, for example: 'I sell cloth for one dollar in cash and for two dollars on credit'. It may be presumed that the vendor made two conditions not only on price but on other aspects as well. This type of contract was banned by the Prophet.

al-sharī'ah *Lit:* The way. *Tech:* The way of Allah as shown by the *Qur'ān* and the *sunnah* of the Prophet. It is generally spoken to mean the Islamic law.

sharī'ah audit Audit of the operations of an Islamic financial institution to assess the extent to which the institution adhered to the requirements of the *sharī'ah*.

sharī'ah supervisory board See **religious supervisory board**.

al-shibr *Lit:* Span of the hand. *Tech:* A measure of length equal to 12 fingers, or 9 inches or 23.1 cm.

al-shirkah A contract between two or more persons who launch a business or financial enterprise with the purpose of making a profit. See also **al-mushārakah**.

shirkah al-'abdān Partnership between two or more persons in skill, mental or physical labour only (without capital). They accept work jointly, perform it according to their agreement and share the profit. This is also known as *shirkah al-ṣan'ah*.

shirkah al-'amal An alternate term for **shirkah al-'abdān**.

shirkah al-'amwāl Partnership where each partner brings in some capital in the form of money and all partners contribute their labour and skill, agreeing to share profit or loss.

shirkah al-'aqd *Lit:* Contractual partnership. *Tech:* Two or more persons may continue to carry on business on the condition that capital and profit will be shared among them. This is distinguished from *shirkah al-mulk*, which is partnership in joint property.

shirkah bilā māl An alternate term for **shirkah al-'abdān**.

shirkah al-dhimam An association in which each partner shares in the obligations incurred by his colleagues. This is a type of partnership in which partners do not invest any capital but instead authorize each other to buy on credit on the condition that each will be responsible for half the cost of the other's purchases and share in a like manner in the profit of their resale.

shirkah fil 'aml bi aidihimā An alternate term for **shirkah al-'abdān**.

shirkah al-jabr Partnership by compulsion. It comes into being if a person purchases goods in the presence of a person who is a *bonafide* dealer in the particular commodity and the dealer has reason to believe that the

goods are being purchased for him as usual. The *bonafide* dealer will be treated as a partner of the purchaser provided that the purchaser does not declare in anticipation to have purchased the goods for himself.

shirkah al-‘inān A partnership agreement in which the partners may have equal equity but unequal rights to profit, unequal equity with equal rights to profit or unequal equity and unequal rights to profit. It comprehends mutual agency but not mutual surety. By virtue of this mutual agency, each of them does not become liable for that which is owed by his colleagues. Liability of partners towards third parties is several but not joint; within the partnership, liability for obligations arising from partnership affairs is joint. This principle covers all the transactions on behalf of the firm in which members are free to engage.

shirkah al-mafālis *Lit:* Partnership of the penniless. *Tech:* It comes about when two or more people form a partnership without any capital and buy merchandise on credit and then sell it. Also known as *shirkah al-wujūh*.

shirkah al-milk *Lit:* Proprietary partnership. *Tech:* A proprietary partnership occurs when two persons inherit or purchase something together. Neither of them is permitted to dispose off the other’s portion except with the other’s permission. Each of them is considered a stranger in regard to the other’s portion. If the property is divisible and the partners still decide to stick together, the partnership is termed *shirkah milk al-ikhtiyārīyah*. However, if it is indivisible and the partners are constrained to stay together, the partnership is termed as *shirkah milk al-jabarīyah*.

shirkah al-mufāwāḍah A contract of partnership in which all partners are equal in respect of equity, and have right to conduct business for cash or credit. All of them are mutual agents and mutual sureties for one another. They can agree to unequal ratios of profit but the liability to share losses remains equal.

al-shirkah al-mutanaqīshah *Lit:* Diminishing partnership. *Tech:* A contract of partnership in an income-generating asset or venture, according to which one partner ends up owning that asset or venture at an agreed time schedule. One form of a ‘diminishing partnership’ is where the

bank's share is sold to the other party at a nominal value utilizing the income generated from the asset itself.

shirkah al-ṣan'ah See **shirkah al-'abdān**.

shirkah al-taḍāmun A contract of partnership among two or more partners who share liabilities of the business created by any one of them.

Shirkah al-Takāful al-'Islāmīa Baḥrain A subsidiary of Dār al-Māl al-'Islāmī. Its main objective is to conduct Islamic insurance business. Started operations in late 1984. Paid-up capital, US\$ 10 million.

shirkah al-taqbīl A form of *shirkah al-'abdān* in which artisans join together in partnership on the condition that they would accept orders from customers concerning their trade and skill jointly and share income from the trade. It is also known as *shirkah al-taqabbul*.

shirkah al-tauṣīyah al-basīṭah A partnership agreement in which one partner assumes unlimited liability of the business debt while the other partner remains liable to the extent of his own capital.

shirkah wa muḍārabah A term of the *Hanbalite* jurisprudence, implying a situation where a financier provides funds to an on-going firm on the basis of *muḍārabah*. Other schools of jurisprudence call it *muḍārabah*.

shirkah al-wujūh Partnership between two or more persons carrying on business on credit only (without investment of capital). They purchase goods on credit on the basis of their goodwill and then sell them and try to make profit.

al-shuf'ah *Lit:* Right of preemption. *Tech:* Acquiring a vendor's property at the price for which the vendor has sold it. The right of preemption is a power of possessing property that is for sale. It applies only to immovable

property. It appertains in the first place to the co-sharer or partner in the property; second, to a sharer in the immunities and appendages of the property such as the right to water or to road; and third, to neighbours.

al-shuḥḥ *Lit:* Stinginess, avarice. *Tech:* Petty-mindedness in inter-personal relationships. *Shuḥḥ* leads one to selfishness, callousness and to disproportionate love for wealth.

al-shukr *Lit:* Gratitude. *Tech:* A value of the Muslim society by virtue of which an individual acknowledges the bounties of Allah and expresses gratitude by speech or action. It includes making proper use of one's abilities and resources. Their improper use contradicts *shukr* and is termed as *kufr*.

al-si'ar al-ma'rūf See **thaman al-mithl**.

SIBER (School of Islamic Business and Research) Based in India, an online school that imparts education in Islamic finance and economics. It has launched an Internet information service in collaboration with *Muslimonline.com*. The Internet address is: <http://www.muslimonline.com> and <http://islamic-finance.net>. The Internet service is for discussion of issues relating to Islamic finance. One can subscribe to the service free of charge by visiting any of the above-mentioned addresses.

SIC (specific investment certificate) A proposed instrument of Islamic banking, the certificates offered by commercial banks to savers. These certificates would carry name of an enterprise in which the value of the certificate would be invested. They would be exactly like stocks held by a member bank for a particular customer. The advantages include: use of bank's expertise and its block-vote as a representative of more than one stock holder.

SID (specific investment deposit) A type of investment deposit accepted by some Islamic banks. The client specifies the project or business in which his funds should be invested. The account of each deposit is kept separate from others and the bank shares in the profit of each deposit. The bank acts as an agent of the client and accepts no liability for the loss.

al-sikkah Originally, it meant a ‘minting die’ to test the fineness and weight of the coin. The same word subsequently came to be used for the mint as an office providing for and checking these marks.

al-sil‘ah Commodity.

al-simsār *Lit.*: Middleman. *Tech.*: One who sells on behalf of others.

sipāhī A state official appointed by the Ottoman rulers on conquered lands for the administration of land. He was responsible for renting the state land on behalf of the ruler. He collected the rent and deposited into the public treasury. He could punish the tenants if they defaulted from cultivating the land and could cancel the contracts in certain cases. After 1858, the position of *sipāhī* was abolished. This was replaced by the state appointed *multazim* and *muḥaṣṣil*.

special finance house An alternate term for Islamic banks used in Turkey. Special finance houses in Turkey are not subject to the prevailing Banking Act. They are neither allowed to use any reference to Islam nor are they allowed to appoint any *sharī‘ah* supervisor.

special mushārahah certificates against existing public sector enterprises A proposed financial instrument for government to raise funds for operating and maintaining existing public sector enterprises. The certificate holders will join the *mushārahah* with their cash while the government’s capital will consist of net worth of the enterprise. The profit sharing ratio can be determined in any manner but the losses would be shared according to capital. The certificate holders would be able to sell them in the market at going rates.

specific investment certificate See SIC.

specific investment deposit See SID.

specific muḍārabah A *muḍārabah* contract with one specific purpose or objective.

specific provision With reference to Islamic banks, it is an amount set aside to reflect an estimated impairment of value of a specific type of asset. In the case of receivables, the amount is that required to write down the asset to its cash equivalent value, namely the amount expected to be collected. In cases of financing and investment assets, it is the amount needed to write the asset down to cash equivalent value if this is lower than the cost. See also **general provision**.

SPTF Abbreviation from Malay language *Skim Perbankan Tanpa Faedah* meaning interest-free banking. This is a scheme which the Government of Malaysia sponsored in 1993 for encouraging the conventional banks to operate Islamic banking side by side with interest-based banking. In March 1995, as many as 39 financial institutions were participating in this scheme.

SSB See **religious supervisory board**.

Statistical Economic and Social Research and Training Centre for Islamic Countries See **SESRTCIC**.

al-su'āt *Zakah*-collectors, especially on animals and on agricultural property.

sub-muḍārabah A form of *muḍārabah* where a worker (*muḍārib*) may advance goods or capital to a third party on the basis of *muḍārabah* subject to the condition that the original owner of the capital allows such an arrangement specifically or has allowed an unconditional discretion to the *muḍārib*. Thus, a second level *muḍārabah* comes into being.

sūd (Urdu) *Lit:* Gain or profit. *Tech:* Interest on capital borrowed. It has been used interchangeably with *ribā* in Urdu literature on Islamic economics and *fiqh*.

Sudanese Islamic Bank The Sudanese Islamic Bank, established in 1982 with an authorized capital of US\$ 20 million as public limited company, commenced business in May 1983.

al-suftajah A type of banking instrument used for the delegation of credit during the Muslim period, especially by the 'Abbāsids (AD 750–945). It was used to collect taxes, disburse government dues and transfer funds by merchants. It was the most important banking instrument used by traveler merchants. In some cases *suftajahs* were payable at a future date and in other cases they were payable on sight. *Suftajah* had certain distinctive characteristics. First, a sum of money transferred by *suftajah* had to keep its identity and payment to be made in the same currency. Exchange of currencies could not take place in this course. Second, *suftajah* usually involved three persons: 'A' paid a certain sum of money to 'B' for agreeing to give an order to 'C' to pay it back to 'A'. Third, a *suftajah* could be endorsed. The Arabs had been using endorsements (*ḥawālah*) since the days of the Prophet. See also **al-tamassuk**.

al-ṣuḥbah Official designation for informal business co-operation or 'companionship' during Fāṭimid (AD 969–1171) and 'Ayūbid (AD 1183–1260) Egypt. Merchants of lesser stature were known as *ṣāḥib* or companion of a merchant or firm of a greater reputation.

sukhra *Lit:* Forced labour. *Tech:* Any form of service derived from a human being or animal or machine without paying compensation.

ṣukūk al-'ijārah A financial instrument issued in an '*ijārah* financing arrangement. The investors provide funds to a lessor (say, an Islamic bank). The lessor purchases an asset and rents it to the lessee. The lessee agrees to pay the rent in periodic installments. The *sakuk al-'ijārah* are attached to instruments issued by the lessor in favour of the investors. These *sakuk* entitle the investors to collect rental payments on their funds from the lessee direct. These *sakūk* can also be made tradeable in the stock exchange.

ṣulḥ fai' The wealth that accrued from the enemies to Muslims without fighting. It was not divided among the Muslims as was '*anwah fai'*', obtained by fighting and divided among the warriors as war booty. See also **al-ghanīmah**.

sunnah The way of the Prophet Muḥammad (Allah's peace be upon him) taught by him verbally or practically.

syarikat takāfol Malaysia sendirian berhad Islamic Insurance Company Malaysia Limited. Established on 29 November 1984, with an authorized capital of \$ 100 million and paid-up capital of \$ 10 million, it was a subsidiary of Bank Islam Malaysia. The bank held 87.15 per cent of its equity. Other shareholders were the Islamic Religious Councils, Bait al-Māls of the States of Trengganu, Pahang, Perlis, Negeri Sembilan, Melaka and the Federal Territory. It operated two types of insurance policies: the family *takāful* and the general *takāful*. The former provided plans that were long-term *muḍārabah* contracts, and provided savings as well as insurance cover. The latter provided security against material loss of damage.

T

al-ta'āwun *Lit:* Cooperation. *Tech:* A basic norm of Islamic society. It is the basis of various economic relationships. For example, relationships between customer and merchant, capitalist and consumer, labourer and entrepreneur, and among individuals, institutions and the state are based on the concept of cooperation and not on conflict.

al-tabarru' *Lit:* Gift, donation. *Tech:* Relating to the law of *muḍāwadah* partnership, it means the right of complete and unfettered disposition over joint property. This right has not been conceded by the jurists to any partner. However, one has the right of *tabarru'* with personal property. See **al-taṣarruf**.

al-tabdhīr *Lit:* To squander, waste or dissipate. *Tech:* Spending on objects which have been explicitly prohibited by the *sharī'ah* irrespective of the quantum of expenditure.

al-tabī' Relating to the *niṣāb* of *zakāh* a one-year-old calf of the cow.

al-tabkhīs To decrease the quality or quantity of a product offered for sale at the original price.

Tabung Haji Incorporated in 1962 in Malaysia, it is a saving and investment organization. It collects household savings, mainly for the purpose of *hajj* and invests them in construction, food, manufacturing, pharmaceuticals, plantations and services. The savers get a share in the profit. They can withdraw their money any time for any purpose, other than *hajj* as well. Tabung Haji provides all the *hajj* services in Malaysia and Saudi Arabia. In 1991, it had over 2 million depositors, fixed assets worth US\$ 750 million, 84 branches and investments worth M\$ 1.6 billion.

Taḍāmun Islamic Bank Sudan Incorporated on 24 March 1983 in Khartoum. Besides the head office, there were 20 branches in the Sudan by the end of 1998. Authorized capital, US\$ 50 million; paid-up capital, US\$ 13.4 million. It had three associated companies: Taḍāmun Real Estate Company, Taḍāmun Trading Company and Taḍāmun Agricultural Company.

al-tadlīs In a contract of sale, hiding defects of a commodity from its potential buyers.

al-tahjīr *Lit:* To build a stone-fence, a wall or something similar on land. *Tech:* To clear rocks off the land, leveling the ground, building water canals, pulling out weeds and irrigating.

taḥsīniyāt *Lit:* Decorations. *Tech:* Conceived in a hierarchy, refer to those things which are at a tertiary level, after basic necessities (*ḍarūrīyāt* – primary level), and conveniences (*ḥājīyāt* – the secondary level). The *taḥsīniyāt* are a source of comfort, facility and ease in life. The *sharī'ah* considers them as desirable but in case of trade-off between the *taḥsīniyāt* and *ḥājīyāt*, the former will be foregone.

al-tājir al-muqīm A resident merchant. See **al-tājir al-safar**.

al-tājir al-safar During medieval times, a merchant who travelled in connection with his business. The Muslim merchants travelled along ocean and land routes with merchandise. See **al-tājir al-muqīm**.

al-takāfu' *Lit:* Equality. *Tech:* Principle of proportionality in the Mālikī law of partnership, requiring distribution of profit and liability to correspond to various components of investment.

takāful (also **takāfol**) *Lit:* Mutual or joint responsibility; solidarity; mutual agreement. *Tech:* An alternative of the contemporary insurance in the Islamic framework. Conceptually, a group of persons agree to share the risk of damage by collecting a specified sum from each. In case of loss to anyone of the group, the loss is met from the collected funds. The individual contribution is calculated using the conventional methods of actuarial sciences. The collected funds are invested in Islamically permissible ventures until a part of them is needed to meet an individual loss. The profits or losses from investments are shared by the members in proportion to their capital. Expenses of the *takāful* are also debited to the collected funds. An individual buying this policy enters into a contract of *muḍārabah* with the *takāful* company. Each instalment paid by him is divided into two accounts: The Participant's Account and The Participant's Special Account. The former is meant for investment while the latter is a contribution to a mutual fund of the company meant to pay *takāful* benefits to fellow participants in case of need. If the participant dies before the maturity, he gets the value of the policy along with any surplus earned on his contribution. In case of surrender or withdrawal from the *takāful* plan, the participant is entitled to benefits as agreed to in the contract. In case a participant lives to maturity, he gets value of the policy and also any surplus earned on his capital.

al-takāthur *Lit:* Plenty, abundance. *Tech:* In the *Qur'ān* (102: 1), the word is used to mean one's obsession with worldly possessions, with wealth, strength, position and the like, things that make people selfish and forgetful of their duties to God and to fellow beings.

takhmīs *Lit:* To divide into five parts. *Tech:* Taking one-fifth of the booty of a battle by the state.

al-takhrīṣ An alternate term for **al-kharṣ**.

al-takmilah Relating to the fiscal law of medieval Islam, it refers to additional charges on the landholders who stayed in a village to make up for the payment of those who deserted the land or died. This was a consequence of collective assessment of land tax.

talaqqī al-jalab One of the commercial practices of early Arabia. Traders would, on hearing of a merchandise caravan, proceed out of the city to meet the caravan on the way for buying the entire merchandise. This, they would sell in the city market at higher price.

al-talji'ah *Lit:* Refuge, shelter. *Tech:* Common in Iraq of 'Umayyads (AD 661–750) and 'Abbāsids (AD 750–945), it refers to circumstances of a weak person committing his land to the protection of a strong citizen against foreign troops, bandits or government tax-collectors. This was also known as *ḥimāyah* or *khafārah*. The feudal lord would collect tax from the person seeking *talji'ah* who acted as a *muzār'ah*. This tax often covered government dues plus the feudal lord's share for providing the protection. Such '*iljā'* lands were often annexed by the government and distributed among the courtiers. The government always felt threatened by the power of the feudal lords but had to live with this evil.

al-tamakkun *Lit:* Power, authority, ability. *Tech:* Qur'ānic usage for political stability and economic prosperity. Economic development without political solidarity is not conceivable. Therefore, *al-tamakkun* may be an alternative term for economic progress and stability.

al-tamassuk *Lit:* A written commitment. *Tech:* IOU, a credit document. It is also known as *al-suftajah*.

al-tamlīk *Lit:* To make someone the owner of property. *Tech:* Used in the context of *zakāh*. The Ḥanafite school of jurisprudence contends that the only legal form of *zakāh* expenditure is the transfer of funds to poor persons so that it becomes the property of those people. The implication of this condition is that *zakāh* cannot be used for purposes where such personal transfer of funds is not possible.

al-tanā'ah See **al-tunnā'**.

al-tanājush *Lit:* Concealment, rousing and chasing the game for the purpose of snaring it. *Tech:* In business transactions, this term means to demand the sale of an article of merchandise for more than its price, not meaning to purchase but only to ensnare the innocent buyer. It is also known as *bai' al-najash*.

al-tana'um Indulgence in luxuries, a mode of behaviour discouraged by Islam.

al-tanḍīd *Lit:* Derived from *naḍḍ*, which means hard cash. *Tech:* Relating to a contract of *muḍārabah* or *mushārah*, it refers to liquidation of all real assets immediately before calculating the profit.

al-tanḍīd al-ḥukmī Relating to contract of *muḍārabah* or *mushārah*, a proforma estimation of the share of profit or loss from the on-going business without liquidating it and on the basis of information available from the books of account.

tapu The Turkish system of granting lands to cultivators introduced by the law of 1858. The *mirī* lands were granted directly to cultivators together with a land deed or *tapu*. The holder of a *tapu* was entitled to cultivate the land as he pleased, and was free to pledge or alienate it provided he received the express permission of the state. On his death, the land passed on to his lawful heirs without the necessity for a new *tapu* to be granted. If the possessor died without heirs, the land passed to inhabitants of the village. The permission of the state was also necessary before the holder could build houses or plant tree on his land. In return, the holder was obliged to make a payment to the government at the time of the original grant and was also liable to the rule of the *sharī'ah* whereby the holder was dispossessed if the land remained uncultivated for three years.

taqābuḍ *Lit:* To possess. *Tech:* In an agreement of sale, to take delivery of the object of sale and to pay its price.

taqṣīs A term used during the Ottoman period for debasement of currency by lowering gold or silver content of the coin. It was followed by

individuals as well as by the government. It was devaluation of the currency, in effect and was often resorted to meet the shortage of money supply, which was constrained by the availability of metals.

al-tarīj Pertaining to fiscal administration of the ‘Abbāsids (AD 750–945), it referred to a register like the present-day ledger account of an individual tax payer. It had several columns relating to various taxes such as land tax (*kharāj*), poll tax (*jizya*), pasture tax (*mar‘ā*), tax on meadows (*murūj*), receipts (*barā’*), and the balance (*bāqī*). It also showed the charges of the tax collector.

al-tarīkh See **al-taswīgh**.

al-taraf *Lit.*: Indulgence in luxuries. *Tech.*: Pride, arrogance and disregard for proper rules of conduct caused by possession or enjoyment of worldly riches. See **al-rafāh**.

al-taṣarruf Relating to the law of partnership, it means the partners’ freedom to dispose off joint property within the contractual framework. See **al-tabarru’**.

taslīm Relating to contract of sales, refers to delivery of goods and payment of price or either one of them.

al-tassabub See **al-ḥawālah**.

al-tasāwum See **al-sawm**.

al-tasbīl An alternate term for **al-waqf**.

al-tas‘īr *Lit.*: To regulate prices. *Tech.*: The power of the state to fix, control or determine prices of goods in the market. It also includes regulation of profit, wages and rents by the state.

tas'īr al-'ujrah Fixing of wages for labour in the private sector by the state.

al-tashrīk An alternate term for *al-muzār'ah*.

al-ṭasq Tax levied on different cereals on the basis of land measurement. Also a tax levied on newly created opportunity.

al-taṣrīyah See **al-muṣarrah**.

al-ṭassūj A weight measuring 0.25 *dāniq*, equivalent to 0.1247 g.

al-taswīgh Grants and fiefs enjoying reductions on yearly taxes. Alternate terms are: *al-ḥaṭīṭah* and *al-tārīkh*.

al-taswīyah *Lit:* Equality. *Tech:* The basic principle of distribution of *fai'* followed by Abū Bakr. He distributed the *fai'* at an equal rate among all.

al-taṭfīf *Lit:* Weighing short. *Tech:* By implication applied to the act of an employee who cheats on working hours by coming late or leaving his job early without due permission of the employer.

al-tawhīd *Lit:* Oneness of God. *Tech:* God is one and does not share anything with anybody, neither in personality nor qualities. Belief in *tawhīd* is fundamental to Islam, and the value system of Islam is based on this belief. It affects economic behaviour of the Muslims in a number of ways.

t'awīd *Lit:* Replacement; substitution. *Tech:* Monetary or non-monetary payment to compensate for a harm or injury caused to the payee. Examples are: usurping, destroying someone's property or causing a physical injury. The person at fault is required to compensate the injured party for the damage thus caused. The amount of compensation

depends on the nature of harm or injury and sometimes would involve adjudication.

tawkīl al-'iqrāḍ *Lit:* Authorization to lend. *Tech:* Authorization to lend cash in a contract of *muḍārabah* for the *muḍārib* or the working partner.

tawkīl al-'istiqrāḍ *Lit:* Authorization for raising a loan. *Tech:* In a contract of *muḍārabah* or *shirkah*, the *rabbul māl* or the other partners may authorize the *muḍārib* or working partner to raise a loan in cash for the business over and above the capital.

al-tawqī' *Lit:* Signature. *Tech:* A banking instrument of the medieval Muslim period. A payment order to draw money from a bank.

al-tauzīf *Lit:* Employment. *Tech:* Appointment of a person to collect *kharāj* or to undertake trade.

al-tawakkul *Lit:* Trust, confidence. *Tech:* Trust in God for results after one has provided all material resources. It also means confidence in the help from God in all matters. It is one of the important values in the Muslim society. It is often confused by Western observers with fatalism and thought to be a cause of underdevelopment of the Muslim countries but its real significance is just the opposite. It invites uninhibited effort to explore all avenues in the hope that God's help shall come. *Al-tawakkul* inculcates enterprise rather than fatalism.

al-tawarruq A sales contract in which the buyer obtains merchandise on credit and then sells it at a loss to the original seller for cash. The purpose of such a transaction is to get cash and not to do business. It is condemned as a trick to give or to get an interest-bearing loan.

al-ṭayibāt *Lit:* Good things, good and pure things. *Tech:* Used in the *Qur'ān* for the consumer's goods provided to human beings. The concept carries with it man's responsibilities to God and other human beings for

the use of these good things. It excludes the *ḥarām* goods from its domain.

TFC (term finance certificate) A financial instrument developed by banks in Pakistan to replace the Participatory Term Certificates (PTCs). The TFCs are issued for different denominations and different maturities. They are supposed to be an Islamic alternative for the long-term interest-bearing debentures. The TFCs carry a pre-determined rate of return which is quite similar to the rate of interest.

al-thaman *Lit:* Price, cost, value. *Tech:* Price of an article as agreed by the buyer and the seller in a contract of sale. (It may be different from the prevalent market price.)

al-thaman al-'ājil The sale price of a commodity that is paid in cash at the time of a sale deed.

thaman al-mithl Prevalent price in the market. Relating to the concept of *tas'īr*, *al-thaman al-mithl* is enforced by the state in case someone unjustly charges a higher price.

al-thamanīyah The characteristic of a thing that makes it good for using as money. Many jurists regard this characteristic as the primary reason of prohibition of *ribā al-faḍl* in the exchange of such a thing.

al-thamarah al-bāqīyah Relating to the law of *zakāh*, fruits that do not rot for a major part of the year without artificial conditioning.

thanīyu *Tech:* Relating to the law of *zakāh*, it refers to a lamb of one year, a cow of two years or a camel of five years. It is also referred to as *thanīyah*.

thunyah Making an undefined exception in a sale deal. For example, the seller may say that 'I sell to you the whole lot except a few items' without

defining what he means by ‘a few items’. The Prophet has prohibited from such deals.

al-tibr *Lit:* Metal ore, gold dust, gold nuggets. *Tech:* Relating to the law of *zakāh*, gold or silver not cast into ornaments or utensils.

tijārah Buying something with the intention of selling it for profit, whether the profit is realized or not. This is distinct from *bai'*, which involves exchange of a valuable (*māl*) with another valuable, not necessarily with the intention of making a profit. But both the terms are often used interchangeably to denote sale transactions.

al-tijārah al-ghā'ibah *Lit:* Absent trade. *Tech:* Long-distance trade or trade in a town other than the one in which a trader resides. See also *al-tijārah al-ḥāḍirah*. The Muslims are regulated by a sense of *'ukhuwah*, brotherhood and fraternity.

al-tijārah al-ḥāḍirah *Lit:* Present trade. *Tech:* Local trade, also used for day-to-day dealings among businessmen. It is not necessary to record the credit transactions in such cases. See **al-tijārah al-ghā'ibah**.

al-timār See **'arḍ al-timār**.

tirāz In the tenth century al-Andalus, a silken fabric embroidered with the name of the ruler in whose reign it was made, date and place of manufacture and the Qur'ānic inscriptions. Production and export of *tirāz* was strictly regulated and the quality was overseen by the government appointed official *ṣāhib al-tirāz*. It was not a trade item. But the rulers used it to present gifts to other rulers all over the Muslim world in that period.

al-tirāzah *Lit:* A device made use of in a sluice that distributes water in definite standard units according to the common agreement of the owners and according to their rights. *Tech:* *Al-tirāzah* was employed as a method in the assessment of *al-misāḥah* in the 'Abbāsīd period

(AD 750–945). It was a method of making an equitable assessment of land tax, keeping in view fertility of the soil, its facility for irrigation and the category of its crop.

transferable 'ijārah warrants A proposed financial instrument for the government. The government can issue these warrants in favour of private parties, giving them the right to develop such assets as rivers, waterways, motor ways, minefields, dams, etc. These parties can develop these assets and then avail of the usufruct for a limited period (say 20–30 years) to reclaim their costs. During this period, the assets will remain leased to these parties and the government will get a certain flow of income from them. The holders of these warrants will be able to sell them in the market at the going market price that will be a function of the income flowing from these assets. After the lease period, the assets will return to the government. These warrants are also termed as 'transferable *'Ijārah Warrants with Build Operate Transfer Arrangement*'. Another variant of the warrants is as follows. It is possible that a legal entity is brought into being for collecting the funds by sale of these warrants and then develop the asset. In this case the financiers would only be buying the rights to the usufruct of the asset by agreeing to pay the capital cost as well as maintenance cost in instalments. These instalments would be considered as rent of the asset for a specified period. The holders of the asset would be able to recover their investment by selling the usufruct of the asset, such as electricity of a hydroelectric dam. The holders of the warrants would be able to trade them in the market at the going price. This variant of the warrants is called *Transferable 'Ijārah Warrants with Finance–Lease–Transfer Arrangement*.

transferable 'ijārah warrants with finance–lease–transfer arrangement
See **transferable 'ijārah warrants**.

transferable 'ijārah warrants with build operate transfer arrangement
See **transferable 'ijārah warrants**.

triple muḍārabah A proposed mechanism to integrate cash *waqfs* into Islamic banking business. The cash *waqf* fund, pooled by various persons willing to donate their funds, acts as *rabb al-māl*. The first *muḍārib* is the Islamic bank. It also functions as a trustee of the cash *waqf* fund. The

second level is the various *muḍārabah* companies, who act as *muḍārib*s and the Islamic bank acts as *rabb al-māl* for these companies. The third level is that of the entrepreneurs, who act as *muḍārib*s and the *muḍārabah* companies act as *rabb al-māl* for them.

trust deposits Deposits with Islamic banks as trust from savers. The Islamic bank can use these funds for profitable purposes at its own risk. The depositors have the right to withdraw the amount without notice but they have to pay service charges for keeping the funds in the bank.

tujjār muṣāfirīn A category of merchants in the thirteen century al-Andalus who travelled across the borders between the Christian and the Muslim regions with inexpensive household articles. They were also called **tujjār mutajāwilīn**.

tujjār mutajāwilīn *Lit:* Wandering merchants. See **tujjār muṣāfirīn**.

al-ṭu‘mah *Lit:* Food grant. *Tech:* Entitlement to receive food grant from a piece of land during one’s lifetime. For example, from the lands of Fadak, the Prophet and his family were entitled to a food grant during his lifetime, after which these lands reverted to *bait al-māl*.

al-tunnā’ A class of landlords during the ‘Abbāsīd period (AD 750–945), who were mostly absentee landlords, leaving management of their estates to their deputies. They often acted as contractors for tax collection and their riches accrued more from this latter activity. They were also known as *al-tanā’ah*.

two-stage murābaḥah A financing facility followed by Islamic banks whereby a syndicate of banks provides funds to an agent bank on the basis of *murābaḥah* for trade in a particular item. The agent bank extends funds on the basis of *murābaḥah*, again, to business firms for actual purchase of goods and services.

two-tier ‘istiṣnā’ A sale agreement in which the prospective buyer asks the bank to manufacture a certain equipment with well defined specifications.

The price in this first contract is deferred. The bank engages a specialized manufacturer to manufacture the equipment according to buyer's required specifications. Payment of price to the manufacturer may be gradual, if he needs finance at the production stage.

two-tier muḍārabah A system of *muḍārabah* being used by the Islamic banks. The savers enter into a *muḍārabah* contract with the bank. In a second *muḍārabah* contract, the bank provides finance to entrepreneurs. The profit of loss in the second contract is shared by the bank and the entrepreneurs. The bank shares its profit or loss from the second contract with the savers.

two-window model A model of Islamic banking in which the bank maintains 100 per cent reserve of all current account deposits and zero per cent reserve of all investment deposits.

U

UIF (unit investment fund) Established by the IDB Jeddah in 1990, aims at mobilizing investible funds from the market, particularly the funds of the Islamic institutional investors, by making periodic offers for subscription to the fund. The UIF is a closed-end *sharī‘ah*-compatible mutual fund. The bulk of its investment is in leased assets, which is acquired mostly from the prime assets in the IDB portfolio. The fund responds to three needs of the *sharī‘ah* counterpart of the international capital market: (i) it offers a high grade Islamic medium of investment; (ii) it serves as a vehicle for securitization of the Islamic banks' assets; (iii) it offers more depth to the Islamic capital market.

‘ukhuwah *Lit:* Brotherhood, fraternity. *Tech:* The inter-relationship of Muslims in the society are regulated by a sense of ‘ukhuwah. It is the basis of mutual benevolence in the society. Some of the economic relations are also governed by ‘ukhuwah.

al-‘umrā Grant of land or property by state or by an individual free of cost, along with rights of ownership. *Al-‘umrā* are unencumbered grants,

which the descendants of the grantee inherit as any other property. But in certain cases, the donor may condition its use by the donee during the latter's life-time. In such a case, the gift is inherited by the donor and his heirs and is not passed on to the heirs of the donee.

unit investment fund See UIF.

unit value See UV.

unlimited period investment deposit A type of investment deposit accepted by some Islamic banks. The period for deposit is not specified but consists of slots of 3 months. After every 3 months, the period is automatically renewed until the depositor notifies his intention of not renewing it. The profit or loss accruing to these deposits is calculated at the end of financial year of the bank.

unrestricted investment account Relating to Islamic banking, refers to an investment account where the account holder authorizes the Islamic bank to invest the account holder's funds on the basis of *muḍārabah* contract in a manner which the Islamic bank deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. Under the arrangement the Islamic bank can commingle the investment account holder's funds with its own funds (owner's equity) or with other funds the Islamic bank has the right to use. The investment account holders and the Islamic bank generally participate in the returns on the invested funds.

'ūqīyah *Lit:* A weight of varying magnitude. *Tech:* Equivalent to 40 *dirhams* or 11.903 g. It is known as *'ūqīyah al-fīḍḍah* in distinction to *'ūqīyah al-'ashyā'*, which is equal to 7.5 *dirhams* or 23.782 g.

'ūqīyah al-'ashyā' See **'ūqīyah**.

'ūqīyah al-fīḍḍah See **'ūqīyah**.

al-‘urf Relating to the sources of Islamic law, it is the custom and the usage of a particular society.

al-‘urūḍ *Lit:* Merchandise, stock-in-trade. *Tech:* Jurists apply this term in different connotations: (i) sometimes it is applied to everything except cash; (ii) sometimes it is applied to everything except cash, eatables, garments and immovable property; (iii) sometimes it is applied to everything except cash, measurables, weighables, animals and immovable property.

‘urūḍ al-qīnyah See **‘urūḍ al-tijārah**.

‘urūḍ al-tijārah *Lit:* Goods for sale. *Tech:* Relating to the law of *zakāh*, it refers to assets manufactured or purchased for making a profit by reselling them. They are subject to *zakāh*. They are distinct from *‘urūḍ al-qīnyah* which are kept for personal or business needs of the owner. They are exempt from *zakāh*.

al-‘ushr *Lit:* One-tenth. *Tech:* A tax on the agricultural produce of land levied on the Muslims at the rate of 10 per cent if the land is irrigated by rainfall and at the rate of 5 per cent, if the land is irrigated artificially. *‘Ushr* is not levied if there is no produce. It is also known as *zakāh al-‘arḍ*. The *zakāh* is levied on movable property if it remains in one’s possession for one year, but the *‘ushr* is payable on each crop. The *‘ushr* is payable on the produce of the land even if the owner is a minor or a lunatic. The ownership of land is not a condition for *‘ushr* because it is payable on *waqf* lands as well as on the produce of the land being tilled under a contract of *muzār‘ah*. It is levied on the gross produce. The cost of the produce is not set off from the produce for assessment of the *‘ushr*. The *‘ushr* revenues are usually spent on those accounts on which the *zakāh* is spent. See also **al-zakah**.

al-‘ushūr *Lit:* One-tenth. *Tech:* *Al-‘ushūr* were imposed on goods of merchants who came to the Muslim lands from non-Muslim countries which had no treaty with the Muslims. Eventually, *al-‘ushūr* were extended to all the caravans, whether for internal or external trade, and to Muslim and

non-Muslim merchants. For a Muslim merchant, *al-'ushūr* were the same as 2.5 per cent annual *zakāh* on merchandise. A non-Muslim subject (*dhimmī*) had to pay double of what a Muslim would pay, whereas a merchant from a foreign country which had no relations with the Muslims had to pay double of what a *dhimmī* would pay. It used to be an important source of revenue for the Muslim state.

'ushr al-tijārah *Lit:* One-tenth of trade. *Tech:* A 10 per cent duty on all commercial imports by non-Muslims into the land of Islam. This was in vogue during the early Muslim period. The Muslims were exempt from this duty, if they imported anything into the land of Islam on the consideration that they were liable to pay *zakāh*.

UV (unit value) Used by special finance houses in Turkey, it is a sort of share-price index reflecting profit or loss developments in a given pool of participation deposits. It involves a week-by-week comparison of the total asset value (net worth) of a given pool, and changes as profit or loss is recorded to the pool. Weekly calculation and announcement of UV allows participation account holders conveniently to follow up the performance of the pool in which they have invested. By multiplying the weekly announced UV with the account value (a coefficient indicating the relative participation share of an individual account in a given pool of participation funds, written on the participation account certificate), an account holder is able to know the outstanding value of his participation account. The profit-and-loss participation deposit funds managed by the special finance houses are in the nature of open-ended mutual funds.

V

VAP (value-added participation) This concept has been given by some economists to replace PLS as a basis for Islamic banking. It is contended that VAP would be nearer to justice and would give greater stability to the profits of the banks. However, its permissibility under the *sharī'ah* is doubtful, because under this concept the bank would be able to get a return in any case. VAP means that the bank would provide funds for

a business on the condition that the bank would get a fixed percentage of the value added by the borrower as a return. The value added would be calculated by: (i) gross turnover less purchases and services; or (ii) wages, salaries and pensions plus interest on capital plus taxes plus dividends plus depreciation plus retained profits. Thus, value added can never be a negative figure. The bank would always get a return. The concept has only changed the predetermined rate of interest to a variable rate of interest.

variable dividends securities A proposed Islamic financial instrument to be issued by central bank. The holders of these securities would be entitled to profit or loss arising from the domestic operations of the central bank on the basis of daily product of capital deployed by the bank from its own sources and the amount of funds received through the sale of securities.

venture capital firm Referred to for investment on the basis of *mushārah*, a venture capital firm manages funds provided by investors and directs it to the most promising ventures in the form of equity. The firm provides financial and strategic assistance to the recipient company and actively participates in its management. The support continues until the venture materializes, at which stage an outside investor might be interested in owning the company, or it might be able to go public. Returns are then distributed back to the investors.

W

waḍ' al-jawā'ih The amount of discount or commission that a landlord is required to grant to the tenant in case some calamity befalls the crop and the tenant is put to abnormal loss. The Prophet instructed to grant a proportionate concession in rent to such an unfortunate tiller of the land.

al-waḍī'ah Resale of goods with a discount on the original stated cost. Also used in relation to redemption at discount of a debt before the maturity date.

al-wadī'ah *Lit:* Deposit, trust. *Tech:* A contract whereby a person leaves valuables as a trust for safe-keeping.

al-waḍāi' A comprehensive term expressing all taxes.

al-wadī'ah bil 'ajr *Lit:* Deposit for fee. *Tech:* A form of contract where a person deposits a sum with another person on payment of a fee for safe-keeping, with permission for the trustee to make use of the amount if needed. The trustee is held responsible for any loss in the amount deposited.

al-waibah A dry measure equal to 5.5 ṣā', prevalent in early Muslim Egypt. According to Ḥanafites, it is equivalent to 17.938 kg or 18.491 litres, whereas other jurists consider it equivalent to 11.946 kg or 15.114 litres.

al-wakālah *Lit:* Representation, agency. *Tech:* Contract of agency in which a person delegates his business to another and substitutes the other in his own place. The latter is called the *wakīl*, or agent, and the former is called *muwakkil*, or principal.

al-waqf *Lit:* Detention. *Tech:* Appropriation or tying up of a property in perpetuity so that no proprietary rights can be exercised over the corpus but only over the usufruct. The *waqf* property can neither be sold nor inherited or donated to anyone. *Al-awqāf* consisted of religious foundations set up for the benefit of the poor. Conceived in such a way, administration of the *waqf*, together with the salary that it involved, was often reserved for the founder and his family until the founder's line of descent became extinct. They were often set up as an indirect way of avoiding too strict a division of the property under the the Islamic law of succession, retaining it for the male members of the family in undivided form.

al-waqf al-'ahlī Private trusts instituted for the benefit of family members. See also **al-waqf**.

al-waqf al-'āmm Public endowment set apart for a charitable or religious purpose.

al-waqf ‘ala al-’awlād An endowment for the family of the donor. Its proceeds accrue to the children of the donor and their descendants. After the death of the last descendant of the donor, it reverts to the *bait al-māl*. It is also known as *al-waqf al-dhurrī* or *al-waqf al-khāṣṣ*.

al-waqf al-dhurrī See **al-waqf ‘ala al-’awlād**.

al-waqf al-khairī *Waqf* for the general good, intended to fulfil a noble social function, especially in respect of those functions that have not been performed by the state adequately such as hospitals, schools, asylums, public water supply, cemeteries and mosques. See also **al-waqf**.

waqf al-nāmī Also called Institution of Increasing *Waqf*. A cash *waqf* that invests its capital in profitable projects through Islamic modes of finance such as *muḍārabah*, *mushārah*, *’ijārah*, etc. The *waqf* can also innovate by accepting cash deposits for a limited period. The profits of the *waqf* are used to meet management expenses, maintenance of assets and distribution among beneficiaries of the *waqf*.

wāqif Relating to the law of *waqf*, refers to the person who establishes or donates his property by way of *waqf*.

al-waqṣ (pl. *al-’awqāṣ*) *Lit*: The broken (number) *Tech*: Relating to the law of *zakāh* on cattle. The slab rates of *zakāh* on cattle proceed with the series 10, 20, 30, 40, etc., in multiples of 10. Any figure lying between the two limits (i.e. lower and upper limits) is known as *’awqāṣ*. For example, cattle numbering more than 30 but fewer than 40 are known as *awqāṣ*.

al-waṣīyah *Lit*: Bequest or will. *Tech*: A transfer of property to come into operation after the testator’s death. The testator is called *mūsī*, the legatee is called *mūsā lahū* and the executor is called *waṣī*.

al-wasq *Lit*: Load, freight, cargo. *Tech*: A measure of weight; 1 *wasq* is equal to 60 *ṣā’*. According to Ḥanafites, it is equivalent to 195.69 kg or 201.72 litres, while other jurists consider it equivalent to 130.32 kg or 164.88 litres.

al-wazīfah *Lit:* Pay, daily ration. *Tech:* (i) A pension or stipend granted to pious persons. (ii) Revenue collected at a stipulated rate and time. Sometimes used in the sense of a supplementary tax in addition to *jizyah*. See also **al-kharāj al-wazīfah**.

wiqāyah al-‘ird *Lit:* Protection of honour. *Tech:* Spending on people to protect one’s honour. For example, giving something to poets, slanderers or enemies to keep them away so that they do not indulge in defamation.

working capital mushārahah It is a mechanism for providing working capital to a going concern on PLS basis. In a typical arrangement with a client who owns a factory or a farm and joins the bank to form a limited purpose partnership in which the bank provides 90 per cent capital (or some other proportion) and the client 10 per cent. The partnership then rents the plant or the farm (with its fixed assets) from the client and pays a rental fee at an agreed rate. Then the partnership would use the remainder of the finance made available by the bank and the client as working capital to meet the cost of production in one season which could extend up to 12 months. At the end of the period, the profits are shared in percentage according to the share of capital supplied by each party, after deducting a percentage to the client as remuneration for his managing the operations. The bank usually posts a representative to the plant or the farm to monitor the actual operations. This has been successfully practised in the Sudan by the Islamic banks.

Y

al-yamīn al-ghamūs *Lit:* An oath that may land one into disaster. *Tech:* A false oath in order to appropriate the property of someone else. It is called *ghamūs*, since it takes its bearer to the fire of hell.

Z

al-za‘āmah An alternate term for **al-kafālah**.

al-zakāh (zakāt) *Lit:* To purify. *Tech:* A tax that is levied on all persons having wealth above an exemption limit (*niṣāb*) at a rate fixed by the *sharī‘ah* to purify wealth and souls from impure love. The object is to take away a part of the wealth of the well-to-do and to distribute it among the poor and the needy. It is levied on cash, cattle, agricultural produce, minerals, capital invested in industry and business, etc. The distribution of *zakāh* fund has been laid down in the *Qur‘ān* (9: 60) and is for the poor, the needy, the *zakāh*-collectors, those whose heart have to be reconciled, captives and debtors, travellers when in difficulty, and in the way of God. The *zakāh* is payable if the owner is a Muslim and a sane person. The *zakāh* is the third pillar of Islam. The term *ṣadaqah* also occurs in the *Qur‘ān* and incorporates *zakāh*. The *ṣadaqah* is of two kinds: *ṣadaqah taṭawu‘* (voluntary charity) and *ṣadaqah mafrūdah* (obligatory charity). In the terminology of *fiqh*, a clear distinction between *ṣadaqah* and *zakāh* is made, since *ṣadaqah* generally refers to any kind of charity that is given voluntarily. The *zakāh* signifies the obligatory contribution that every well-off Muslim has to pay to the Islamic state or distribute it among its beneficiaries. See also **al-‘ushr**.

zakāh al-‘ain *Zakāh* on cash, ornaments, gold or silver.

zakāh al-‘arḍ An alternate term for **‘ushr**.

zakāh al-ghallāt *Lit:* *Zakāh* on agricultural produce. *Tech:* *‘Ushr* or one-tenth of the agricultural produce paid out as a tithe.

zakāh al-hubūb *Lit:* *Zakāh* on cereals.

zakāt peribadi See **zakāt raja**.

zakāt raja Used in the rural areas of Malaysia by the general public for the *zakāh* collected by the state functionaries. Literally, it means the government’s *zakāh* as compared to *zakāt peribadi* or personal *zakāh* paid by the individuals on a voluntary basis to the poor people. *Zakāt raja* is a pejorative term.