

Islamic finance - Glossary of key terms

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|---------------------|---|------------------|---|--------------------|---|
| adl: | justice | ijara: | lease of an asset for an agreed rental or the transfer of ownership of a service for a specified period upon lawful consideration | musharaka: | a form of partnership or joint venture between a financier and a trader or entrepreneur whereby each party contributes to the partnership capital in equal or varying degrees to establish a new project or to share in an existing one. Profits and losses shared on a proportionate basis |
| al-kharaj bildaman: | principle that entitlement to revenue follows assumption of responsibility. Profits, therefore, are based on the ownership of, and responsibility for, capital | ijara wa iqtina: | a leasing contract used which includes a promise by the lessor to transfer the ownership of the leased property to the lessee, either at the end of the term of the lease period or by stages (or on the reoccurrence) during the term of contract | qard hassan: | interest free loan ("good loan") |
| al wadia: | safe-keeping/resale of goods with a discount on the original stated cost | ijmaa: | consensus amongst jurists | Qura'n: | the Book of Divine Revelation that was delivered to humankind by the Prophet Mohammed (peace be upon him) |
| ARBOUN: | an Islamically-compliant option-type arrangement | ijtihad: | devout and careful reflection and effort or toil | rab al-maal: | investor or owner of capital in a mudaraba contract, beneficial or sleeping partner |
| bai al-dayn: | sale of debt or receivables | ikhtikar: | monopoly | riba: | interest, usury, prohibition is meant to distinguish an unlawful exchange (in which there is a clear advantage to one of the contracting parties) from a lawful, mutually beneficial exchange and a lawful loan |
| bai al-'inah: | a loan in the form of a sale i.e. buying back what one has sold for a lower price than that for which one originally sold it | ikhtilaf: | divergence of opinions among jurists | salam: | a contract for the purchase of a commodity for a deferred delivery in exchange for immediate payment according to specified conditions, i.e. advance purchase |
| bai al-wafa': | a sale with the right of redemption, literally, a sale of honour. Typically, such a sale takes place when a commodity is sold on the condition that the seller be allowed to redeem the commodity upon paying its price; and the buyer agrees to honour the condition | islah: | reform | shariah (Shari'a): | Islamic law, includes obligations, duties, and moral considerations both legal and moral dimensions |
| bai' bithaman ajil: | deferred-payment sale, credit sale | israf wa taraf: | profligacy | sukuk: | participation securities; coupons, investment certificates |
| daman/kafala: | guaranty or surety | istisna: | a contract of sale of specified goods to be manufactured, with an obligation on the manufacturer to deliver them upon completion i.e. commissioned manufacture | sunnah: | the way of the Prophet Mohammed, (peace be upon him) including his sayings, deeds, approvals or disapprovals as preserved in the Hadith literature |
| darura: | overriding necessity | jahl: | lack of knowledge, ignorance or ambiguity in the terms of a contract | tajdid: | renewal |
| fatwa: | an authoritative legal opinion based on the Shariah | khiyar al-shart: | an option in a sale contract concluded at the time of signing the agreement, giving one of the parties to the contract a right to cancel the sale within a stipulated time | takaful: | a Shariah-compliant system of insurance in which the participants donate part or all of their contributions, which are used to pay claims for damages suffered by some of the participants i.e. mutual guarantee |
| fiqh: | jurisprudence | manfaat: | usufruct or benefit derived from an asset | Ulema: | Shari'a scholars or jurists |
| fiqh al-mu'amalat: | commercial jurisprudence, or the rules of transacting in a Shari'a-compliant manner | maqasid: | the general objectives of Islamic law | urboun: | earnest money. It is the amount paid by the client (orderer) to the seller after concluding a contract of sale, with the provision that the contract is completed during the prescribed period |
| fuqaha: | qualified specialists in fiqh, or jurists | maslaha: | the general interest | usul al-fiqh: | Islamic legal theory/jurisprudence |
| gharar: | uncertainty in a contract of exchange as to the existence, deliverability, quantity or quality of the subject matter. Deception, hazard, speculation, etc. | mudaraba: | trustee finance or a partnership in profit between capital and work. A mudaraba contract may also be concluded between an Islamic financier, as a provider of funds, on behalf of itself or on behalf of investment account holders, and business owners and other craftsmen, including traders | wakala: | agency. An agency contract which may include in its terms a fee for the agent |
| hadith: | the narrative record of the sayings, doings, and implicit approval or disapproval of the Prophet, (peace be upon him.) | mujtahid: | legal expert | waqf: | charitable trusts |
| haj: | pilgrimage | mudarib: | the managing partner or trustee in a mudaraba (see above) | Zakat: | blessing, purification, increase or cultivation of good deeds, a specified amount prescribed by Allah the Almighty for those who are entitled to Zakat as specified in the Qur'an. The word Zakat is also used to indicate the amount paid from the funds that are subject to Zakat |
| halal: | lawful or permissible | muqarada: | loan participation | | |
| hamish gedyyah: | security deposit/money paid by the purchaser upon request of the seller to make sure that the purchaser is serious in his order of the assets | murabaha: | sale of goods with an agreed upon profit mark-up on the cost. Typically, contracts whereby a financial institution buys goods or commodities on behalf of a borrower and then sells on a deferred basis at a mark up | | |
| haram: | unlawful | | | | |
| hiyal: | ruses, deceptive ways to circumvent the prohibition of riba | | | | |

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