

## Glossary of Arabic Terms in Issue 26-2

<i>Āhadīth</i>	Plural of <i>Ḥadīth</i> . For meaning, see below.
<i>bay‘</i>	Sale. In Islamic finance it is often used as a prefix when referring to different sale-based modes, like <i>bay‘ al-mu‘ajjal</i> (sale on deferred payment basis); <i>bay‘ al-salam</i> (sale on advance payment basis, etc.).
<i>bay‘ al-‘urbūn</i>	A sale contract in which a down payment is given and parties commit themselves to the conditions agreed in the contract. The final contract is concluded upon full payment. If the buyer cancels the sale, he loses the down payment. If the seller cancels the contract it is a customary practice that he has to pay double the amount of the down payment. However, opinions differ with respect to the permissibility of these payments as penalty for backing out. Most modern scholars permit these in the broader interest of market discipline.
<i>fatāwá</i>	Plural of fatwa. Religious verdicts by <i>fuqahā’</i> .
<i>fiqh</i>	Refers to the whole corpus of Islamic jurisprudence. In contrast with conventional law, <i>fiqh</i> covers all aspects of life, religious, political, social, commercial or economic. The whole corpus of <i>fiqh</i> is based primarily on interpretations of the Qurān and the Sunnah and secondarily on <i>ijmā’</i> (consensus) and <i>ijtihād</i> (individual judgement). While the Qurān and the Sunnah are immutable, <i>fiqhī</i> verdicts may change due to changing circumstances.
<i>fuqahā’</i>	Plural of <i>faqīh</i> meaning jurist, who gives rulings on various juristic issues in the light of the Qurān and the Sunnah.
<i>gharar</i>	Literally, it means deception, danger, risk and uncertainty. Technically it means exposing oneself to excessive risk and danger in a business transaction as a result of uncertainty about the price, the quality and the quantity of the counter-value, the date of delivery, the ability of either the buyer or the seller to fulfil his commitment, or ambiguity in the terms of the deal; thereby, exposing either of the two parties to unnecessary risks. In economic terminology its meaning are close to “asymmetric information”

<i>Hadīth</i>	Sayings, deeds and endorsements of the Prophet Muhammad (peace be upon him) narrated by his Companions.
<i>ijārah</i>	Leasing. Sale of usufruct of an asset. The lessor retains the ownership of the asset with all the rights and the responsibilities that go with ownership.
<i>istiṣnā‘</i>	Used as a short form for <i>bay‘ al-istiṣnā‘</i> . Refers to a contract whereby a manufacturer (contractor) agrees to produce (build) and deliver a well-described good or (premise/road etc.) at a given price on a given date in future. As against <i>bay‘ al-salam</i> (a similar sale contract maturing in future where no manufacturing is involved. For definition see below.) in <i>istiṣnā‘</i> the price need not be paid in advance. It may be paid in installments, or partly at the front end and the balance later in accordance with agreement between the parties.
<i>maqāṣid</i>	Literary means ‘objectives’. In Islamic literature it is often used as a short form for <i>maqāṣid al-sharī‘ah</i> . For definition see below.
<i>maqāṣid al-sharī‘ah</i>	Basic objectives of the sharī‘ah. Imam al-Ghazālī defined them to be: protection of faith, life, progeny, property and reason. Some contemporary writers have argued that these may be revisited.
<i>maṣlahah</i>	Literally, it means benefit. Technically, it refers to any action taken to protect any one of the five basic objectives of the <i>Sharī‘ah</i> i.e., protection of faith, life, progeny, property and reason.
<i>maysir</i>	Literally it refers to an ancient Arabian game of chance with arrows used for stakes in slaughtered animals. Technically, it refers to gambling or any game of chance.
<i>muḍārabah</i>	A contract between two parties, capital owner(s) or financiers (called <i>rabb al-māl</i> ) and an investment manager (called <i>muḍārib</i> ). Profit is distributed between the two parties in accordance with the ratio upon which they agree at the time of the contract. Financial loss is borne only by the financier(s). The entrepreneur’s loss lies in not getting any reward for his services.
<i>muḍārib</i>	An investment manager in a <i>muḍārabah</i> contract.

<i>murābahah</i>	Sale at a specified profit margin. The term, however, is now used to refer to a sale agreement whereby the seller purchases the goods desired by the buyer and sells them at an agreed marked-up price, the payment being settled within an agreed time frame, either in instalments or in a lump sum. The seller bears the risk for the goods until they have been delivered to the buyer. <i>Murābahah</i> is also referred to as <i>bay' mu'ajjal</i> .
<i>mushārahah</i>	Partnership. A <i>mushārahah</i> contract is similar to a <i>muḍārabah</i> contract, the difference being that in the former both the partners participate in the management and the provision of capital, and share in the profit and loss. Profits are distributed between the partners in accordance with the ratios initially set, whereas loss is distributed in proportion to each one's share in the capital.
<i>Qarḍ ḥasan</i>	A loan extended without interest or any other compensation from the borrower. The lender expects a reward only from God.
Qurān	The Holy Book of Muslims, consisting of the revelations made by God to the Prophet Muḥammad (may peace be upon him). The Qurān lays down the fundamentals of the Islamic faith, including beliefs and all aspects of the Islamic way of life.
<i>rabb al-Māl</i>	Capital provider (financier) in a <i>muḍārabah</i> contract.
<i>ribā</i>	Literally, it means increase or addition or growth. Technically it refers to the 'premium' that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or an extension in its maturity. Interest as commonly known today is regarded by a predominant majority of <i>fuqahā'</i> to be equivalent to <i>ribā</i> .
<i>salam</i>	Short form for <i>Bay' al-salam</i> , which refers to a sale contract in which payment is made in advance by the buyer and the delivery of the goods is deferred by the seller. The date of delivery and fairly accurate description of goods must be given in the contract.
Sharī'ah	Refers to the corpus of Islamic law based on Divine guidance as given by the Qurān and the Sunnah and embodies all aspects of the Islamic faith, including beliefs and practices.

<i>ṣukūk</i>	Plural of ‘ṣakk’, which refers to a financial paper showing entitlement of the holder in the amount of money shown on it. The English word ‘cheque’. Technically, <i>ṣukūk</i> are financial instruments entitling their holders to some financial claims.
Sunnah	The Sunnah is the second most important source of the Islamic faith after the Qurān and refers to the Prophet’s (peace be upon him) example as indicated by his practice of the faith. The only way to know the Sunnah is through the collection of <i>aḥadīth</i> , which consist of reports about the sayings, deeds and endorsements of the Prophet (peace be upon him).
<i>tahawwuṭ</i>	Hedging.
<i>takāful</i>	An alternative for the contemporary insurance contract. A group of persons agree to share certain risk (for example, damage by fire) by collecting a specified sum from each. In case of loss to anyone of the group, the loss is met from the collected funds.
<i>tawarruq</i>	Tawarruq is a mode for obtaining liquidity through a fake buying something at a higher price to be paid in future and selling it back for cash payment instantly. With a few exceptions, Islamic scholars generally consider this to be illegitimate mode of transaction. They consider it to be a subterfuge for interest-based borrowing
<i>wakālah</i>	Contract of agency. In this contract, one person appoints someone else to perform a certain task on his behalf, usually against a fixed fee.
<i>wakīl</i>	Someone acting on behalf of another person.
<i>waqf</i>	Appropriation or tying up a property in perpetuity for specific purposes. No property rights can be exercised over the corpus. Only the usufruct is applied towards the objectives (usually charitable) of the <i>waqf</i> .
<i>zakāh</i>	The amount payable by a Muslim on his net worth as a part of his religious obligations, mainly for the benefit of the poor and the needy.