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EDITORS' NOTE

It is with great pleasure that we present this special issue on Islamic finance. Islamic finance that gave birth to a niche market in early 1960s is growing considerably and has now crossed \$3.0 trillion mark. Market indicators suggest that Islamic finance (also called participation finance) has excellent prospects for further growth in order to meet the current demand of the public for ethically attractive banking, debt, investment, insurance, and other capital market products. Starting in the Middle East, Islamic finance is now spread all over the globe. Following a pioneering move by the Bank of England in 2002, several Western governments have enacted new laws or changed existing ones to accommodate the offering of Islamic financial products on level playing fields with modern financial instruments. As we go to press with this issue, the government of the United Kingdom is making further changes to existing laws to enable investors to raise funds in London using the *Sukuk* debt contracting based on risk-and-profit-sharing debenture terms.

The World Bank and the International Monetary Fund have published several studies about Islamic financial intermediation. They detail a number of salient features that make this form of intermediation attractive. Leading international publishers are expanding their publications of books and manuscripts on Islamic banking and finance. Several Western universities have introduced new teaching programs in this area as part of training and research within financial economics and in some cases as part of study of religions.

Given the increasing acceptance of Islamic finance as a *bona fide* academic area within the broader banking and finance discipline, it is befitting that *the International Journal of Banking and Finance (IJBF)* as an academic journal and *the Islamic Economic Institute (IEI)* as an established entity in this field to collaborate on producing a Joint Issue on the tenth anniversary of the founding of the IJBF. This special issue is jointly published with the *Journal of KAU Islamic Economics*, a publication of IEI. The usual standard of double-blind review process is applied in the selection of the papers. The Chief Editor of the IEI journal kindly agreed to guest-edit this issue. In order to increase interaction with non-Arabic speaking readers, the Guest Editor has prepared a Glossary of Arabic terms used in this issue. He has also contributed a paper to introduce the basic features, principles, products, and potential benefits of Islamic model of financial intermediation. This shall serve as a starting point for further discussion and enhancement of the topics.

Prompted by this joint effort, we take this opportunity to invite the readers to comment on the topics discussed in this Issue, extend them via new contributions, and suggest topics that need to be addressed in the future. Comments and contributions can be sent to parhiz@fiu.edu or ariff13@gmail.com or munawariqbal@gmail.com.

GLOSSARY OF ARABIC TERMS OCCURRING IN THE ISSUE

<i>Ahādīth</i>	Plural of hadīth. For meaning, see below.
<i>bay al-dayn</i>	Sale of debt. According to a large majority of Islamic jurists, sale of debt except at its face value is not allowed. The International Islamic Fiqh Academy, Jeddah, which is the largest representative body of Sharī'ah scholars and has the representation of all the Muslim countries, including Malaysia, has unanimously upheld the prohibition of bay al-dayn at a discount. (Resolution No. 101 (4/11), 1998)
<i>bay wa shar</i>	A provisional trade transaction execution of which is contingent upon fulfillment of some condition (s)
<i>bay al-‘īnah</i>	Also known as buy-back. This refers to a contractual arrangement between two parties to sell and buy-back a commodity/asset simultaneously. This type of buying/selling is prohibited because the deal can easily be designed as a subterfuge for prohibited ribā.
<i>bay bi thaman al-‘ājal</i>	Another term used for <i>Bay mu’ajjal</i> . For meaning, see below.
<i>Bay mu’ajjal</i>	Sale on credit, i.e. a sale in which goods are delivered immediately but payment is deferred.
<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>ijtihad</i> (individual judgement). While the Qurān and the Sunnah are immutable, <i>fiqhī</i> verdicts may change due to changing circumstances.
<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 fulfill his commitment, or ambiguity in the terms of the deal; thereby, exposing either of the two parties to unnecessary risks. The objective of the prohibition of gharar is to minimize possibilities of post-facto misunderstandings and conflicts between the contracting parties. As such, any conditions in contracts that may give rise to ambiguities and/or misinterpretations and are preventable must be avoided. In economic terminology its meaning is close to “asymmetric information”.
<i>hadīth</i>	Sayings, deeds and endorsements of the Prophet Muhammad (peace be upon him) narrated by his Companions.
<i>halāl</i>	Things or activities permitted by the Sharī‘ah
<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>ijārah wa iqtina’</i>	Lease ending with transfer of ownership after agreed period of time. The rental in the lease agreement includes a sum for gradual payment for the price of the asset.
<i>krāh</i>	Anything imposed by coercion. Any contract done under compulsion or duress is Islamically void.
<i>istisnāh</i>	Used as a short form for <i>bay al- istisnāh</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>istisnāh</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>Maqāsid al-Sharī'ah</i>	Basic objectives of the Sharī'ah. Imam al-Ghazali defined them to be: protection of faith, life, progeny, property and reason. Some contemporary writers have argued that these may be revisited.
<i>mudārabah</i>	A contract between two parties, capital owner(s) or financiers (called <i>rabb al-māl</i>) and an investment manager (called <i>mudārib</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>mudārib</i>	An investment manager in a <i>mudārabah</i> contract.
<i>al-mudārib udārib</i>	Someone who mobilizes funds, on profit-sharing basis, can extend these funds to the users on the same basis. In banking terminology, it is called two-tier <i>murābahah</i>
<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 installments 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>murābahah</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>qard hasan</i>	A loan extended without interest or any other compensation from the borrower. The lender expects a reward only from God.

<i>Qurān</i>	The Holy Book of Muslims, consisting of the revelations made by God to the Prophet Muhammad (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>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 bayal-salam, 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.
<i>Sharī’ah</i>	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>sukūk</i>	Plural of ‘ <i>sakk</i> ’, 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>sukūk</i> are financial instruments entitling their holders to some financial claims.
<i>Sunnah</i>	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>ahadīth</i> , which consist of reports about the sayings, deeds and endorsements of the Prophet (peace be upon him).

<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>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.

IEI Transcription Table ©

Letters in Arabic	Letters in Roman	Arabic Example	Romanized as
ء (همزة)	'	عَلَمَاءُ	fuqahā'
[¹] preceded by letter with fatha	ā	إِجَارَه	ijārah
أ	á	تَقْوَى	taqwá
آ	ā	قُرْآن	Qurān
ب	b	بَاطِل	bāṭil
ت	t	تَكَافُل	takāful
ث	th	ثَمَن	thaman
ج	j	إِجْمَاع	ijma'
ح	ḥ	حَدِيث	ḥadīth
خ	kh	خِيَار	khiyār
د	d	دَيْن	dayn
ذ	dh	ذَهَب	dhahab
ر	r	رِبَا / رِبَا	ribā
ز	z	مُزَارَعَة	muzāra'ah
س	s	سَلَام	salam
ش	sh	مُشَارَكَة	mushārah
ص	ṣ	صَرَف	ṣarf
ض	ḍ	مُضَارَبَة	muḍārabah
ط	ṭ	شَرَط	sharṭ
ظ	ẓ	ظَلَم	ẓulm

Letters in Arabic	Letters in Roman	Arabic Example	Romanized as
ع	'	شَرِيعَة	Sharī'ah
غ	gh	غَبَن	ghaban
ف	f	فَاسِق	fāsiq
ق	q	مُسَاقَاه	musāqāh
ك	k	نِكَاح	nikah
ل	l	مَال	māl
م	m	مِيرَاث	mīrath
ن	n	إِنْفَاق	infāq
و	w	وَقْف	waqf
و followed by ُ	ū	صُكُوك	sukūk
ه	h	زَكَاة	zakāh
ة	ġ	زَكَاةُ الْفِطْرِ	zakā' al-fitr
ي	y	يُسْر	yusr
ي	y or ī (context dependent)	يَتِيم	yatīm
Fatha َ	a	فَرَض	farḍ
ضمه ُ	u	عُرْف	'urf
كسره ِ	i	مُسْلِم	Muslim
شده ّ	When over one-letter word; the letter is to be used twice	تَوَرُّق	tawarruq
شده ّ	When over two-lettered word, the two letters to be underlined	الذَّهَب	al <u>dh</u> hab