

Deception through ignorance by one or more parties to a contract. Gambling is a form of gharar because the gambler is ignorant of the result of the gamble. There are several types of gharar, all of which are haram. The following are some examples:

- \* Selling goods that the seller is unable to deliver
- \* Selling known or unknown goods against an unknown price, such as selling the contents of a sealed box
- \* Selling goods without proper description, such as shop owner selling clothes with unspecified sizes
- \* Selling goods without specifying the price, such as selling at the 'going price'
- \* Making a contract conditional on an unknown event, such as when my friend arrives if the time is not specified
- \* Selling goods on the basis of false description
- \* Selling goods without allowing the buyer the properly examine the goods

The root Gharar denotes deception. Bay' al-Gharar is an exchange in which there is an element of deception either through ignorance of the goods, the price, or through faulty description of the goods. Bay' al-Gharar is an exchange in which one or both parties stand to be deceived through ignorance of an essential element of exchange. Gambling is a form of Gharar because the gambler is ignorant of the result of his gamble.

## H

### Hadith

Prophet's commentary on Qur'an

### Halal

That which is permissible. The concept of halal has spiritual overtones. In Islam there are activities, professions, contracts and transactions which are explicitly prohibited (haram) by the Qur'an or the Sunnah. Barring them, all other activities, professions, contracts, and transactions etc. are halal. This is one of the distinctive features of Islamic economics vis-a-vis Western economics where no such concept exists. In Western economics, all activities are judged on the touchstone of economic utility. In Islamic economics, other factors, mostly spiritual and moral are also involved.

An activity may be economically sound but may not be allowed in the Islamic society if it is not permitted by the Shari'ah.

usually applied in the agricultural sector where the bank advances money for various inputs to receive a share in the crop, which the bank sells in the market.

### **Bai Bithaman Ajil**

This contract refers to the sale of goods on a deferred payment basis. Equipment or goods requested by the client are bought by the bank which subsequently sells the goods to the client an agreed price which includes the bank's mark-up (profit). The client may be allowed to settle payment by instalments within a pre-agreed period, or in a lump sum. Similar to a Murabaha contract, but with payment on a deferred basis. -

### **Baitul Mal**

Treasury

## **D**

### **Dirham**

Name of a unit of currency, usually a silver coin, used in the past in several Muslim countries and still used in some Muslim countries, such as Morocco and United Arab Emirates.

## **F**

### **Fatwah**

A religious decree.

### **Fiqh**

Islamic jurisprudence. The science of the Shariah. It is an important source of Islamic economics.

## **G**

### **Gharar**

Lit: uncertainty, hazard, chance or risk. Technically, sale of a thing which 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 fish in water or a bird in the air.

**Al Rahn Al**

An arrangement whereby a valuable asset is placed as a collateral for a debt. The collateral may be disposed off in the event of a default.

**Al Wadiah**

Safe keeping

**Awkaf/Awqaf**

A religious foundation set up for the benefit of the poor. B

**Bai Muajjal (Deferred Payment Contract)**

A contract involving the sale of goods on a deferred payment basis. The bank or provider of capital buys the goods (assets) on behalf of the business owner. The bank then sells the goods to the client at an agreed price, which will include a mark-up since the bank needs to make a profit. The business owner can pay the total balance at an agreed future date or make instalments over a pre-agreed period. This is similar to a Murabaha contract since it is also a credit sale. There is a financial institution in Malaysia that offers an Islamic Visa card based on this type of contract.

**Bai al'Dayn**

Debt financing: the provision of financial resources required for production, commerce and services by way of sale/purchase of trade documents and papers. Bai al-Dayn is a short-term facility with a maturity of not more than a year. Only documents evidencing debts arising from bona fide commercial transactions can be traded.

**Bai al Salam**

This term refers to advance payment for goods which are to be delivered later. Normally, no sale can be effected unless the goods are in existence at the time of the bargain. But this type of sale forms an exception to the general rule provided the goods are defined and the date of delivery is fixed. The objects of this type of sale are mainly tangible things but exclude gold or silver as these are regarded as monetary values. Barring these, bai 'salam covers almost all things which are capable of being definitely described as to quantity, quality and workmanship.

One of the conditions of this type of 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

☆ العادة محكمة ☆ عادت کو حکم بتایا گیا ہے یعنی فیصلہ عرف کے مطابق ہوگا

## Glosery of Islamic Banking

Islamic Banking is in progress in all over the world. In Pakistan, many banks have started Islamic Banking in full or in partial. Some of the banks have started their Islamic Banking Branches, and some others are waiting for the necessary License from the State Bank of Pakistan. Some Institutions are playing their role in the training of the manpower, some Banks have got their own training centers and staff.

Sheikh Bayed Islamic Centre, University of Karachi is going to start a Post Graduate Diploma in Islamic Banking and Finance, as evening Programme. Every Bank requires now to understand the Islamic Banking even if it is not adopting Islamic Banking.

We are pleased to publish here the Glosery of Islamic Banking for our readers, Bankers, and everybody who wants to have some knowledge about the Islamic Banking. The Glosery is also available at the website of the State Bank of Pakistan. (Dr. Noor Ahmed Shahtaz)

### Al Ajr

Refers to commission, fees or wages charged for services.

### Al Fard al Kifa'i

Socially obligatory duties. Literally, a collective duty of Muslims, the discharge of which by some of them absolves the rest of its performance, such as funeral prayers. Technically it covers such functions which the community fails to or cannot perform and hence are taken over by the state, such as the provision of utilities, building of roads, bridges and canals etc.

### Amana/Amanah

Lit: reliability, trustworthiness, loyalty, honesty. Technically, an important value of Islamic society in mutual dealings. It also refers to deposits in trust. A person may hold property in trust for another, sometimes by implication of a contract.

### Al Wadia

Resale of goods with a discount on the original stated cost.

### Al Wakala

Absolute power of attorney.

☆ اعمال الکلام اولی من اعمالہ ☆ کام پر عمل کرنا اسے مکمل چھوڑنے کی نسبت اول ہے ☆