

Contents

Acknowledgment — V

Prologue — VII

1 Introduction — 1

- 1.1 Fiqh and Shari'ah — 1
- 1.2 Risk Sharing and Fiqh — 4
- 1.3 Literature Review — 6
- 1.4 Contemporary Shari'ah-compliant Financial Instruments — 7
- 1.5 The Concept of Risk Sharing — 10
 - 1.5.1 Current Approaches to Shari'ah Ruling — 10
 - 1.5.2 Shari'ah-based Framework in Risk Sharing — 11
- 1.6 Objectives — 13
- 1.7 The Scope of the Study — 14
- 1.8 Expected Results and Policy Implications — 15
- 1.9 Chapter Outline — 15

2 Al-Bay': The system and its Contractual Mechanisms — 17

- 2.1 The Concept of al-Bay' — 18
 - 2.1.1 Introduction to the Linguistic Meaning of al-Bay' — 19
 - 2.1.2 Morphological Structure of al-Bay' — 19
 - 2.1.3 Lexical Analysis of the Main Base Word of "al-Bay'" — 20
 - 2.1.4 Lexical Meaning of the Term 'ba', ya' / waw, 'ayn' — 22
- 2.2 Introduction to the Usage of al-Bay' — 23
 - 2.2.1 Al-Bay' in the Context of Fiqh — 23
 - 2.2.2 Al-Bay' in the Quran — 24
 - 2.2.3 Al-Bay' in the Context of Al Quran — 33
- 2.3 The Difference between al-Bay' and al-Tijarah — 35
 - 2.3.1 Issues Regarding Synonymousness in the Context of Arabic Language and the Holy Quran — 36
 - 2.3.2 Synonyms in the Holy Quran — 39
 - 2.3.3 Are al-Tijarah and al-Bay' Synonyms? — 40
 - 2.3.3.1 Al-Tijarah in the Context of the Holy Quran — 41
- 2.4 Definition of al-Bay' System and its Characteristics — 44
 - 2.4.1 Justice: The Foundation of the al-Bay' System — 45
 - 2.4.2 Property Rights: The Subject of al-Bay' System — 47
 - 2.4.3 Ownership in Light of Fiqh Discussions on Dhaman — 49
 - 2.4.3.1 The Implication of Dhaman al-milkiyyah — 50
 - 2.4.3.1.1 Selling Something before Owning it — 51

2.4.3.1.2	Selling Before Taking Possession (qabdh) —	51
2.4.3.1.3	Assuming Liability during the Al-Khiyar Period —	52
2.4.3.1.4	Dhaman Implications in Void Contracts —	53
2.4.3.2	Dhaman and Risk Sharing —	54
2.4.4	Definition of Al-Mal (Property Rights/Estate) —	55
2.4.4.1	Division of Ownership: Complete and Incomplete Ownership —	57
2.4.4.2	Valuable and Non-valuable Property Rights —	58
2.4.4.3	Property Rights That Can and Cannot Be Possessed —	59
2.4.4.4	Towards a More Comprehensive Definition of Property Right —	59
2.4.4.5	Intangible Properties —	61
2.4.5	Other Al-Bay' system characteristics —	63

3 Risk Sharing as a Mechanism of the Al-Bay' System — 65

3.1	Risk and Shari'ah Treatment —	65
3.1.1	Risk Arising from Contract —	67
3.1.2	Risk Arising from Future Uncertainty —	68
3.2	Treatment of Risk —	70
3.2.1	Risk Aversion —	73
3.2.2	Risk Transfer —	75
3.2.2.1	Risk Transfer and the Prohibition of Gharar —	76
3.2.2.2	Trading Risk —	79
3.2.3	Risk Sharing and its Parameters —	80
3.2.3.1	Taradhi —	82
3.2.3.2	Wos' —	83
3.3	Risk Sharing and Contract Legitimacy —	85
3.3.1	The Conditions of a Legitimate Contract —	86
3.3.2	Risk and Risk Taking as Part of Fuqaha Consideration —	89
3.3.2.1	Deferment of the Object and the Risk —	93
3.3.2.2	The Length of Deferment —	93
3.3.2.2.1	Likely Expectations of a Seller in Salam —	94
3.3.2.3	The Subject Matter of Salam —	96
3.3.3	Istisna' and Risk —	96
3.3.3.1	Application of Risk Sharing Parameters —	99
3.3.3.1.1	Risk Sharing Parameters in Salam and Istisna' —	99
3.3.3.1.2	Risk Sharing and Mudharabah —	99
3.3.3.1.2.1	Risk Sharing Parameters in Mudharabah —	100
3.3.3.1.2.2	Guaranteeing the Capital —	101
3.3.3.1.2.3	Intervention in the Management —	102
3.3.3.1.2.4	Claiming Salary —	103
3.3.3.1.3	Risk Sharing in Ijarah —	104
3.4	Conclusion —	106

4	Applying Risk Sharing to Intangible Asset — 107
4.1	Innovation and Contract Creation — 108
4.2	Investing in Intangible Assets — 110
4.2.1	The Fiqh Structure of Investing in Education — 111
4.2.2	Overview of the Investment — 111
4.2.3	The Product Structure — 112
4.2.4	The Fiqh Issues — 113
4.3	Conclusion — 116
5	Conclusion — 117
5.1	Policy Recommendations — 121
5.2	Limitations of the Study — 122
5.3	Future Research — 122
	References — 125