

FULL CONTENTS

AUTHOR'S PREFACE TO 3rd EDITION

vii

AUTHOR'S PREFACE TO 2nd EDITION

ix

INTRODUCTION: ESTABLISHING ISLAMIC SHARIA IN THE
FIELD OF ECONOMY

xv

LIST OF FIGURES

xxxv

LIST OF TABLES

xxxix

Chapter 1 ISLAM AND BANKING

1

A. The Meaning of Islam

1

B. The Coverage of Islam

2

C. Islam and Islamic Banking

13

Chapter 2 THE HISTORY OF ISLAMIC BANKING

15

A. Introduction

15

B. Banking Practices in the Age of the Prophet (Saw)
and His Immediate Companions

16

C. Banking Practices During the Time of Bani Umayyah
and Bani Abbasiyah

18

D. Banking Practices in Europe

20

E. Modern Islamic Banking

20

F. Development of Islamic Banking in Indonesia

23

Chapter 3 IDENTIFYING UNLAWFUL TRANSACTIONS

A. Introduction	27
B. Unlawful for Its Own Sake	28
C. Unlawful Due to External Reason	29
D. Contract Invalidity/Insufficiency	43
E. Closing	46

Chapter 4 THE THEORY OF EXCHANGE AND THE THEORY OF VENTURE

A. Introduction	49
B. The Theory of Exchange	50
C. The Theory of Venture	58
D. Closing	61

Chapter 5 CONTRACTS IN ISLAMIC BANKING

A. <i>Wa'ad</i> and <i>Akad</i>	63
B. <i>Tabarru'</i> and <i>Tijarah</i>	64
C. Natural Uncertainty Contracts and Natural Certainty Contracts	69
D. A Brief Theory of Uncertainty	77
E. Closing	79

Chapter 6 DESIGNING SHARIA CONTRACTS

A. Understanding a Client's Needs	81
B. Understanding a Client's Financial Capability	85
C. Understanding The Bank's Third-Party Source of Fund	87
D. Selecting the Appropriate Fiqh Contract	92

Chapter 7 THE PRODUCTS AND SERVICES OF ISLAMIC BANKING

A. Financing Products	97
B. Funding Products	107

C. Banking Services	112
D. Closing	112

Chapter 8 **MURABAHAH AND ISTHISNA' FINANCING** **113**

A. <i>Murabahah</i> Financing	113
B. Patterns of <i>Murabahah</i> Cashflow	119
C. Accounting Treatment	123
D. <i>Istishna'</i> Financing	124

Chapter 9 **IJARAH AND IMBT FINANCING** **135**

A. The Principles of Islamic Leasing (<i>Ijarah</i>)	135
B. The Rights and Responsibilities of Each Party	136
C. The Agreement on a Lease Fee	137
D. Islamic Leasing (<i>Ijarah</i>) and Conventional Leasing	138
E. The Schemes and Patterns of <i>Ijarah</i> Financing	144
F. <i>Ijarah Muntahia Bittamlik</i> (IMBT)	146
G. A Combined Scheme of <i>Ijarah</i> and IMBT Contracts	147
H. <i>Ijarah Muntahia Bittamlik</i> (IMBT) Revisited	152

Chapter 10 **MUDHARABAH FINANCING** **195**

A. Definition of a <i>Mudharabah</i> Contract	196
B. Essential Factors in <i>Mudharabah</i>	197
C. The Profit Sharing Ratio	199
D. Application of <i>Mudharabah</i>	202
E. Types of <i>Mudharabah</i>	205
F. Incentive-Compatible Constraints	206

Chapter 11 **TYPES OF ISLAMIC BANKS' FINANCING** **225**

A. Islamic Financing for Working Capital	225
B. Islamic Financing for Investment	230
C. Islamic Financing for Consumptive Purposes	238

	D. Syndication Financing	239
	E. Take-Over Based Financing	242
	F. Letter of Credit (L/C) Financing	246
Chapter 12	RISK MANAGEMENT IN ISLAMIC BANKING	249
	A. Introduction	249
	B. The Characteristics of Risk Management	250
	C. The Process of Risk Management	253
	D. The Types of Risk	255
Chapter 13	DETERMINING PROFIT MARGINS AND SHARING RATIOS FROM THE PERSPECTIVE OF FINANCING	275
	A. Determining a Profit Margin	275
	B. Determining a Required Profit-Sharing Ratio in Financing	283
Chapter 14	ISLAMIC CURRENT ACCOUNTS	287
	A. The Wadiah Current Account	287
	B. The Mudharabah Current Account	290
Chapter 15	ISLAMIC SAVINGS	293
	A. The Wadiah Savings	293
	B. The Mudharabah Savings	295
Chapter 16	ISLAMIC TIME DEPOSITS	299
	A. Mudharabah Mutlaqah (Unrestricted Investment Accounts, URIA)	300
	B. Mudharabah Muqayyadah (Restricted Investment Account, RIA)	303
Chapter 17	DETERMINING PROFIT MARGINS AND SHARING RATIOS FROM THE PERSPECTIVE OF FUNDING	307

Chapter 18	CASE STUDIES	341
	Case Study 1: "Karim Supermarket – Cipanas Branch"	341
	Case Study 2: "Karim Oil Field Services"	342
	Case Study 3: "Karim Furniture"	346
	Case Study 4: Exercises	350
Chapter 19	DESIGNING FINANCING AGREEMENTS IN ISLAMIC BANKING	353
	A. Introduction	353
	B. The Legal Relationship between Islamic Banks and Their Clients	354
	C. Islamic Financing in the Perspective of Formal Law	355
	D. Contracts vs. Agreements	356
	E. General Guidelines to Preparing a Contractual Agreement	357
	F. Comparison of Contracts in Islamic Banking	361
	Bibliography	367
	Appendix 1 The Economic Value of Time	371
	Introduction	371
	A. Some Critiques of the Time Value of Money	372
	B. Present Value vs. Profitability	377
	Appendix 2 Determining Financing Returns	385
	Introduction	385
	Glossary	395
	Acronyms and Abbreviations	401