




# ISLAMIC FINANCE 1ST

*Islamic Finance 1st is a Monthly Islamic Finance e-Notes published by Salihin Academy*

## - *Shariah* -

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**Editor's Note:** The term of this Monthly Islamic Finance e-Notes is Shariah, where there are some key highlights on this term. Shariah is strongly integrated in Islamic Finance practices, it is the reference that determine the Shariah compliance status of the products and services offered by the Islamic Finance Institutions. Hence, learners of Islamic Finance should have an understanding about Shariah. We hope that this e-note will contribute to the understanding of Shariah.



**Shariah is the core driver of Islamic Finance**

SALIHIN Academy

## **What is Shariah?**

*In its broad perspective, Shariah refers to the laws and commandments and way of life prescribed by Allah to mankind. It includes commands, prohibitions, guidance, and principles that God has addressed to mankind pertaining to their conduct in this world and salvation in the Hereafter. It covers business, finance and other social aspects of life that should be performed in compliance with the command of the Lawgiver.*

## Importance of Shariah

### Shariah is the core of Islamic Finance

Shariah is needed in Islamic finance because it represents the core driving pillar in Islamic finance. This is because Shariah differentiates conventional finance and Islamic finance. The incorporation of Shariah in finance and the consideration of its impact in business and finance including banking, contributed to the paradigm shift of the business model of banking and finance.

## Features of Shariah

### Shariah has important features, which are:

- *Rabbaniyyah* (divine), which means that Allah is the source of knowledge of this religion, its rules and principles.
- *Reward in the world and Hereafter*, which means that the person will get a reward based on his actions in this world and the hereafter.
- *Alamiyyah* (universal) and *Umumiyyah* (public), which means that Shariah applicable to everyone in this universe and it is not confined to Muslim only because Shariah is about promoting good and preventing evil.
- *Shumul* (comprehensive), which means Shariah covers all aspects of life in human being.

## Meaning of Shariah

Shariah in its linguistic meaning is a source of water which people satisfy their thirst. This signify and indicate that Shariah represents the right path through its Shariah law and principles. In life, water is a fundamental need of life, where without it human being cannot survive, similarly Shariah is an essential source of rules, principles and legislations needed for human being to ensure their smooth life.

Hence, the word Shariah means road to the watering place, or a path leading to the water, or put differently, the way to the source of life (Zuhayli, 2006). Literally, the word Shariah stands for "way" or "road to the water source," "path to be followed", and "the way to the source of life" (Zuhayli, 2006). This clearly indicates that Shariah stands for a pathway, a pathway to be followed or a clear way to be followed. According to Kamali (2008), Shariah literally signifies a way to the watering place and the word itself has appeared in Qur'an only once where in contrast with the word *hawa* that means whimsical desire (Kamali, 2008).

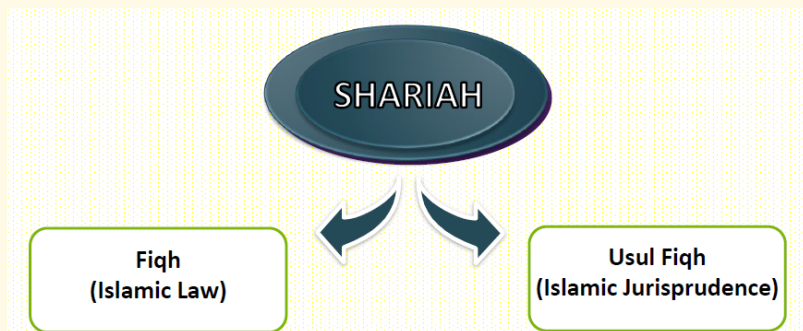
**Shariah in its legal connotation can be divided into two major components which are Usul Fiqh (Islamic Jurisprudence) and Fiqh (Islamic Law).**



## Components of Shariah

### *Shariah from a legal connotation*

*Shariah in its legal connotation can be divided into two major components which are Usul fiqh (Islamic Jurisprudence) and fiqh (Islamic law).*



*Both with other related discipline constitute the body of Shariah in its rules and principles. They are both be considered as part of the knowledge requirements for Shariah advisory position according to the policy document Shariah governance of the Central Bank of Malaysia and in the Shariah governance of AAOIFI for the qualification of the Shariah board.*

## Meaning of Fiqh

*Fiqh is defined as the knowledge of the legal rules (Al-Ahkam Al-Shariyyah), pertaining to conduct that have been derived from their specific evidences.*

## Meaning of Usul Fiqh

*Usul fiqh is defined as the knowledge of principles by means of which one has access to the derivation of the commands of the Shariah relating to the conduct of man on the basis of its detailed proofs.*

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