

HSC 9488 Paper 2

2.3 Finance and Employment

Cambridge Syllabus

Content

- the principles of trade and business transactions
- issues of handling debt, usury and interest (*riba*); mortgages
- employment in different local contexts according to Islamic principles.

Cambridge Resources:

Possible sources:

<http://islamqa.org/>

<https://www.theislamicmonthly.com/riba-and-mortgages-21-commonly-asked-questions-part-1/>

<https://islamqa.info/en/answers/263615/guidelines-on-permissible-and-unlawful-work-in-the-west>

Students' Notes

The principles of trade and business transactions

Trade or business transactions are permitted in Islamic laws within the proceedings and rules of Islamic jurisprudence. As long as the transactions or business itself are undertaken according to the rules and regulations of the Sharia (Islamic Laws) they are permitted. "But Allah has permitted trade and has forbidden *riba* (usury)." (2: 275)

But these trade transactions must be followed by some rules, most of them are derived from the Quran and some comes from the Hadiths of Prophet. There are also some rules and conditions for special circumstances from the consensus of Muslim scholars. Man needs such transactions which are based on exchange of benefits, and the legality of these transactions secures a legal way for undertaking the relevant interests without harm. (Fathul Bari 4 / 287)

A trustful and trustworthy trader who is also tolerant during the transactions or trade will bestow mercy of Allah. They will also grant a very special position, i.e. with martyrs on the day of resurrection in the Hereafter. (Ibn Majah 2139, Al Hakim 2142)

Conditions Related To Business Transactions

Trade transactions are mainly a contract between seller and buyer. This contract can be both verbal and written. Both oral and written contracts are creating a binding obligation on both buyer and seller to perform upon their agreement. There are certain conditions to be satisfied to make a valid transaction in Islamic jurisprudence.

1. Mutual consent is the first condition to make a valid transaction. If there can be found any coercion or force behind any transaction that will become void. If the seller or buyer without their consent or by force, have to take part in a trade that will be invalid. Selling should be only by mutual consent. (Ibn Majah 2185) However, a transaction concluded through just compulsion is deemed valid, as in the case when the (or the one in authority) force a bankrupt person to sell his remaining property in order to pay off his debts.

2. To make a transaction valid both the seller and buyer has to be in sound mind and become obtain the majority by age. They also have to be free; a slave cannot make any transaction without his master's permission. Any lunatic or insane person also cannot make any trade transaction.

3. It is not permissible for a Muslim trader to sell any goods which he has not possessed. If a person does not have possession of certain goods or product and he sells it to another person, and after the transaction he goes out to find it or buy it for his customer, the transaction will become void. The Prophet (s) has prohibited this type of transaction. (Abu Dawood 3505, Tirmidhi 1235, Nasa'I 427, Ibn majah 4024)

4. To complete a valid transaction in Islamic laws, a seller has to sell that is only permissible. The items which are not permissible in Islamic jurisprudence are not permitted to sell or trade. For example, flesh of swine, alcohol, etc. Allah and His messenger prohibited the trade of intoxicants, dead animals, pigs and idols. (Bukhariy 2236, Muslim 4024)

5. The price and product must be available. If the product is not available during the trade, it will be invalid. For example, it is illegal to sell a runaway camel or a bird in the sky. The price and product must be known to the seller and buyer. For hiding, any part of a product is considered as fraud and this type of transactions are prohibited in Islam.

Prohibited Business Transactions

As business or trade is permitted in Islam for good and benefit for mankind, so as long as it does not cause harm or injury to others, the business transactions are permissible. The product or item which is subject to the transactions must be permissible to Sharia. The forbidden or impermissible products or items related to any business transactions are completely forbidden or haram.

There are some impermissible forms of business transactions existed in Islamic Jurisprudence.

Firstly, when Jumua prayer is obligatory on a Muslim, it is impermissible for that person to involve in any business transactions. (Surah Jumu'ah: 9) When Jumua prayer is declared, Muslims should be busy with the prayer rather than any other acts or business.

Secondly, it is forbidden to trade any products which can be used for sin and aggression. For illustration, it is forbidden for sale any food or flower which can be used for intoxicants. It is also impermissible to sale weapon or ammunition which can be used for killing Muslims. It is mentionable here that, the permissibility in a business transaction depends upon the intention and usage.

Thirdly, a Muslim must not try to cancel the sales of his Muslim brother. (Bukhariy 5142, Muslim 3441) For example, one seller cannot say to his customers that he can sell certain product in fewer prices than the other Muslim seller. In a counter, a Muslim cannot cancel the buy of his Muslim brother.

Fourthly, town dweller is prohibited to do any transaction on behalf of desert dwellers.

Fifthly, when a seller sells a product on credit to a buyer and then buys it from the same time at a lower price. This transaction is called inah. Narrated Abdullah Ibn Umar: "I heard the Messenger of Allah, (s) says: When you enter into the inah transaction, hold the tails of oxen, are pleased with agriculture, and give up conducting jihad (struggle in the way of Allah). Allah will make disgrace prevail over you, and will not withdraw it until you return to your original religion." (Abu Dawood Book 24 Hadith 47)

Business Monopoly

A monopoly means the supply chain of a certain product is concentrated by one hand or a group like cartel, trusts, etc. and the price, availability, supply would depend upon that hand or group. The economic system which is controlled or dominated by monopoly breaks the synchronization of social good. As the main aim of Islamic jurisprudence is for greater good, and monopoly dominated business transactions are contrary to that aim, the monopoly form of business is prohibited in Islamic jurisprudence.

Speculative Business Transactions

Speculation has several meanings in an economic sense. In Islamic Jurisprudence, speculative business means, buying some commodity cheaply in a bulk amount and stored the product for a time period to create artificial scarcity and sell the commodity later with high price. These speculative forms of business are prohibited in Islam.

Interest-based Transactions

Every interest involving transactions is strictly prohibited and forbidden in Islamic Laws. Here one thing is mentionable that, profit and interest is not the same thing. Profit based business transactions are relevant to risk of loss and it is productive. But in the interest based or involving trade there is no risk of loss and furthermore, it is strictly prohibited by almighty Allah.

Transactions Relating to Gambling

Gambling or “maysir” means gaining something without working for it and too easily. The interpretation behind the principle is that one gaining without earning it. Any gain involving money, which comes too easily without working for, it is prohibited and unlawful. Lottery, prize bonds, dice, etc. with betting on any types of acts including sports, are termed as gambling and it is prohibited.

Fraudulent Transactions

It is prohibited in Islam any trade relating to fraud. It is not relevant the fraud is in which degree. The least degree of fraud in any transactions are prohibited. Fraud can be in various types in business transactions. There are two types of sale contracts Munabadhah and Muslamasah which are forbidden in Islamic laws and relevant to fraud.

Munabadhah means seller should throw a piece of cloth to the buyer before the buyer has examined it. It means the bargain has been struck. On the other hand, Muslamasah means touching the folded cloth without examining it. Both these types of transactions are prohibited in Islam. Because, here the buyer cannot properly examine the product he wants to buy.

Gharar Trade

Possession is the basic condition for sale in Islamic Jurisprudence. One person cannot sell anything without having possession of such thing. Gharar trade is that type of trade where someone sells some commodity without having possession of it. The Prophet (s) forbade sale by means of pebbles and the gharar trade (the type which involves some uncertainty).

Trade Conducted By Force

When someone purchases some goods or sells some goods to another person, it has to be free from any force or coercion. By enforcing force any type of trade contract will be invalid. The purchaser and the seller both have to be free from any force to make any trade transaction.

The Prohibited Things for Trade

Intoxicant

Every intoxicant is termed as khamr in Islamic Sharia and every khamr is prohibited. Every drink or everything that causes intoxication is forbidden. (Muslim 4956, 4957) And all types of khamr trade is prohibited in Islam. “Oh you who have believed, indeed, intoxicants, gambling, [sacrificing on] stone alters

[to other than Allah], and divining arrows are but defilement from the work of Satan, so avoid it that you may be successful.” (5: 90)

Carcass, Idols & Swine

Jabir Ibn 'Abdullah (ra) reported Allah's Messenger (s) as saying in the Year of Victory while he was in Mecca: Verily Allah and His Messenger have forbidden the sale of wine, carcass, swine and idols, It was said: Allah's Messenger, you see that the fat of the carcass is used for coating the boats and varnishing the hides and people use it for lighting purposes, whereupon he said: No, it is forbidden, Then Allah's Messenger (may peace be upon him) said: May Allah the Exalted and Majestic destroy the Jews; when Allah forbade the use of fat of the carcass for them, they melted it, and then sold it and made use of its price (received from it).(Muslim 3840)

Dogs

It is not permissible for a Muslim to keep a dog, unless he needs this dog for hunting, guarding livestock or guarding crops. It is also forbidden for Muslims to trade dogs. The Prophet (s) forbade the price of a dog. (Bukhariy 1944). The Messenger of Allah (s) also forbade the price of a dog, and if a person comes asking for the price of a dog, then he ordered to fill his hand with dust. (Abu Dawood 3021)

Unripe Fruit and Foods

It is prohibited in Islam to sell the fruits before it has ripened. The sale of grapes or before they become darker or sale of corns before they become yellow is prohibited by the Prophet (s). So the selling of fruits before they become ripen is strictly prohibited. The fruits must have come to its ripping color to sell it. Otherwise the transaction related the fruits will be haram.

Pictures & Statues

Islam prohibits the making and procurement of statues. All statues of animate beings are equally haram, regardless of whether they are made in the images of a Muslim or a Non-Muslim. Making images of animate beings is extremely haram and it is also forbidden to sell it. When Allah forbids eating a thing, He also forbids its price.” (Ahmad 2223) It is also not permissible for a Muslim to deal in statues, because it is proven in the Saleh hadith that it is haram to make images or statues of animate beings at all or to keep them. Undoubtedly dealing in them means that one is propagating them and helping others to make images and set them up in homes, clubs and so on.

Options in Trade Transactions

Islam is a complete and compassionate code for mankind. This religion cares for the greater good and the interests of Muslims and tries to make things easy for them.

There are some rulings about business transactions because Islam gives the right to choose one's own interest. The buyer and seller both have their interest in a business transaction and Islam has given the opportunity to seek which is better for the transaction. So there are some options for the seller and buyer in a trade transaction to make it successful and avoid any harm or loss to another.

1. Both the buyer and the seller have the option of cancelling or confirming the bargain, as long as they are still together; and unless they separate or one of them gives the other option of keeping or returning the things and a decision is concluded then, in which case the bargain is considered final. If they separate after the bargain and none of them has rejected it, then the bargain is rendered final. (Bukhariy 2112) In a business transaction, both the parties need time to consider or review the deal. And both the buyer and seller have the choice or right to confirm or cancel the deal as long as they have not separated from the business taking place.

2. In a business transaction, both the parties can stipulate time to conclude the contract. The certain period of time can be agreed by both the parties that they have the right to accept or reject the deal in the time period. As the Prophet (s) said, Muslims must keep to the conditions they make. (Abu Dawood 3456) It is permissible to make a special condition to fulfil in a specific time period and both the seller and the buyer have to perform upon the mutual consent and have to fulfil all contracts.

3. Both the buyer and the seller have the right or option to confirm or cancel the deal if any one of them is gravely deceived by the misjudgement of the sale. There are three cases where misjudgement or cases of deception is applicable:

a. If someone enters into a business transaction with a seller, and later the seller finds out that he has been paid less, then he legally has the option to cancel or confirm the transaction.

b. If any buyer is deceived by a fake buyer to raise the price of a product he has the option to cancel or confirm the transaction.

c. If a buyer who has no knowledge about the product and does not know the actual price of the product and the buyer by his innocence and kind nature trusts the seller about the price and the product, and if such buyer deceived by the seller, the buyer has the option to cancel or confirm the transaction.

4. If the product's quality has been changed from the time of examination and the time of delivery, the buyer has the option to cancel the transaction. If the buyer and seller differ about the price, product, quality or any other thing and one of them is not satisfied with other than each of them has the right to cancel the transaction.

5. In case of cheating for example, hiding the defect of the product or displaying the product in a way to raise the price or telling lies about the product or any other way is prohibited. And in every such way, the buyer has the choice to cancel the transaction. If the product has any defect, it is the responsibility of the seller to describe it or if he does not, then he must have to show or display or give a chance to the buyer to examine it.

6. If the seller says that he sells the product at the same price he has bought it, and after it has discovered that the seller lies about it, or if in partnership any partner put less money than what he has claimed, or if the seller says that he will gain only certain amount of money but later discovered that is false, or if any seller claims that he will sell the product less than what he has paid for it but later discovered that is a lie, then the buyer has option to cancel the transaction or deal. Though there is another opinion that, the buyer cannot cancel the deal as the deal must be done with the actual price, not the false one claimed by the seller.

Issues of handling debt, usury and interest (riba); mortgages

The issue of riba or usury / interest is one of the most serious matters in Islamic Jurisprudence. The divine revelations have prohibited any dealings relating to riba. And Allah almighty warns those who deal with it. Islam forbids all forms of riba and this is confirmed in the Quran and Sunnah. "Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, "Trade is [just] like interest." But Allah has permitted trade and has forbidden interest." (2: 275)

Riba, or commonly known as interest is simply an excessive or illegally high rate of interest charged on borrowed money. Riba is also included in the taking of a superior thing of the same kind of goods and giving more same kind of goods of inferior quality.

All forms of riba or other terms are forbidden in Islam and Allah almighty have declared war against them who deals with it. "Oh you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers. And if you do not, then be informed of a war [against you] from Allah and His

Messenger. But if you repent, you may have your principal - [thus] you do no wrong, nor are you wronged.” (2: 278, 279) “Allah destroys interest and gives increase for charities. And Allah does not like every sinning disbeliever.” (2: 276)

The above mentioned verse of the Quran means that Allah wipes out the blessing of money or barakah that with mixed with interest gained from riba. Though the usurer may be rich and richer, but there will be no good in it and he will be punished hereafter. And Allah does not like those people who deal with riba.

There are several hadiths of Prophet (s) related riba also. He (s) has stated riba as one of the great destructive sins. (Bukhariy 2766, Muslim 258) The Prophet (s) also cursed the one who accepts riba, the one who pays it, the one who records it and the two witnesses to it. (Muslim 4069) He (s) also said that, riba is seventy-two degrees (of evil), the least of which resembles (in its sinfulness) committing adultery with one's mother. (Ibn Majah 2274, 2275)

Divisions of Riba

The increase of particular things or riba is divided into two kinds. They are riban-nasih or delay usury and ribal-fadl or excess usury.

Riban-nasih - This is the interest that the lender stipulates that the borrower must pay in return of the delay of payment. It means that a person owes another person a sum of money that is to be paid at a certain time. So, when it is time for paying back, the creditor gives the debtor the option either to pay the debt or to allow him much more time in return for an interest on the borrowed sum.

Ribal-fadl - This is the interest based on superiority. This means selling an item for another of the same type but in excess. This kind of transactions is prohibited in six items according to the Prophet (PBUH) are gold, silver, wheat, barley, dates and salt. If any of these six categories is sold for same category with increase e.g., gold for gold to increase then it is prohibited. But if any of the six categories is sold for different categories, e.g., gold for barley, then it is permissible to trade with increase.

There is another usurious transaction, namely lending against a specified interest. This is through lending something to someone, such as an amount of money, on the condition that the borrowed amount be paid back with an interest. It may also be through crediting an amount of money on the condition that the borrower must return more than its actual value according to an agreed upon percentage. These are explicit usurious transactions done in banks as well as other banking institutions, as they conclude transactions through lending loans for those needing them. Similarly, depositing at banking institutions for a specified period and against a specified interest is considered one of the usurious transactions.

Loaning & Loans

Loan or Manihah is termed by the Prophet (s) as paying or giving an amount of money or product, or any wealth to someone who needs it and by having it he benefitted from it and after he pays it back. Lending is a great work and it is rewarded by Allah. The Prophet of Allah (s) describes it be like giving charity. (Ibn Majah 2430) It is also said that lending a loan is legally better than giving charity, as none borrows except when being in a bad need.

Giving a loan is considered a good deed and it relieves a Muslim from adversity and helps him to overcome his bad need. Borrowing is not a despicable act as the Prophet (s) himself borrowed sometimes as it is stated in many hadiths. (Bukhariy 2305, Muslim 4086)

There are some principles regarding loan and lending. Paying back the debt is mandatory for every Muslim as Allah will never forgive the debt of a person. Loan must be from someone whose loan is legal. For example, one cannot lend orphan's money as it is impermissible. The amount of the loan must be defined. Any loan that brings a profit is a kind of riba. (Bayhaqi 10933) It is strictly prohibited to stipulate any

increase to the loan. The loans given by the banks are plain riba as it stipulated increase the money. If someone gives a loan and the borrower gives any gift or present or the lender asked to be carried on the mount of the borrower, the lender is not permitted to accept the gift. (Ibn Majah 2432) Thus, it is impermissible for the lender to accept a gift or any form of utility from the debtor as it is prohibited by hadiths of the Prophet (s) and many scholars pronounced it as one kind of riba. On the other hand, the borrower must pay back the loan without delay as soon as he is able to afford it.

Mortgage

Mortgage or Rahn is putting up collateral connected to a debt so that it can be used to take one's due in full if the indebted person cannot pay the debt back. (Fathul Bari 5 / 140) The mortgage is permissible according to the Quran and Sunnah. "And if you are on a journey and cannot find a scribe, then a security deposit [should be] taken..." (2: 283)

So, according to the Quran, mortgaging is permissible during journeys. And according to the Hadith it is also permitted in residence as the Prophet (s) purchased food grains from a Jew on credit and mortgaged his iron armor to him. Like other business transactions, mortgage has also some principles has to follow according to the Islamic Jurisprudence. The amount, quality and description of the security must be known and it has to be free from riba. To enter into a mortgage contract the mortgagor must possess the security or have the permission to deal with it. It is permissible to mortgaging one's property for the debt of another.

It is not permissible for the mortgagee to benefit from the mortgaged thing because of the general rule stating whenever a loan brings about interest this becomes a form of riba. However, if the mortgaged thing is a thing that can be taken as a mount or milk it if he spends on it. Mortgaging becomes ineffective once the mortgaged thing is returned to the mortgagor according to the mortgagee's will.

Employment in different local contexts according to Islamic principles.

Work & investment

As a principle, it is permissible for a Muslim to engage, as an employee of a non-Muslim in various vital activities of life and in different kinds of [company], of general benefit so that he may be of use to himself and humanity. This permission is conditional to the fact that such work is not forbidden by the laws of Islam and that it does not lead to harming the interest of Muslims or serve the interest and schemes of the enemies of Islam and Muslims.

Almighty Allah says, "*And whosoever is careful of (his duty towards) Allah, He will make for him an outlet; and give him in sustenance from whence he thinks not. And whosoever trusts in Allah, He is sufficient for him...*" (65:3)

So, whosoever fears Allah and has patience, Allah will provide them sustenance from lawful [means]; but whosoever tears apart the curtain of propriety, makes haste and acquire their portion from unlawful [means], it will be taken off from their lawful sustenance and they will be held accountable for it on the Day of Resurrection."

1. It is not permissible for a Muslim to debase himself in front of any human being be they Muslim or non-Muslim. So, if the work, that a Muslim does, debases him in front of a non-Muslim, it is not permissible for him to engage in that debasing work.
2. A Muslim is allowed to serve meat of an animal that was not slaughtered according to Islamic laws to those who consider it lawful like Christians, Jews, and others. Similarly, it is permissible for him to work in preparing and cooking that meat.
3. It is not permissible for a Muslim to sell pork to those who believe it is lawful for them among the Christians and others. Based on obligatory precaution, one should not even serve that meat to them.

4. A Muslim is not allowed to serve intoxicating drinks to anyone at all, even to those who believe it is lawful to them. He is not [even] allowed to wash the dishes or give them to others, if that washing and giving is part of the drinking of intoxicants.
5. A Muslim is not allowed to hire himself out for selling or serving intoxicant drinks or for washing the dishes for that purpose, just as it is not allowed for him to take the wages for this work, as it is unlawful. As for the “extreme need” justification used by some people for this kind of work, it is an unacceptable justification.
6. It is not permissible to work in places of entertainment and other similar places of debauchery (sin, corruption, dishonesty etc.) if that work would cause one to drift towards unlawful acts.
7. It is permissible for Muslims to participate as partners with non-Muslims (like Christians and Jews for example) in various kinds of businesses considered lawful in Islamic laws like selling, buying, export, import, building contracts, etc.
8. It is permissible to deposit [money] in non-Muslim (private or state-owned) banks and countries.
9. If a Muslim intends to get a loan from such banks, it is necessary that he should do so with the intention that it is a transaction without return, even if he knows that he will end up paying the capital as well as the interest. And he should not do so with the intention of getting the loan with the condition of [paying] interest.
10. It is permissible for a Muslim to authorise another person to use his name (and his credit) to buy shares, in return for an amount (in money or commodity) on which both have reached an agreement.
11. It is not permissible for a Muslim to buy products of the countries that are in a state of war with Islam and Muslims, for example, Israel.
12. A Muslim is allowed to exchange the currency with some other currency at the market price, or at a lower or higher rate, irrespective of the fact that the exchange is of an immediate or a deferred nature.
13. It is forbidden to use bank-notes that are counterfeit (forged) or have no value at all—the money that is used by a fraudster when he pays the worker who is unaware of its forgery or worthlessness. The business deal conducted with this kind of money is not valid.
14. It is not permissible for a Muslim to buy tickets of chance (including lottery), if he buys them with the intention of luckily winning the prize.
15. It is permissible for him to buy the lottery tickets if he buys it with the intention of participating in a charitable cause that is accepted islamically like building hospitals, orphanages, etc., but not with the intention of winning the prize. However, this hypothetical situation is extremely difficult to occur in non-Muslim countries that consider certain activities that are forbidden in Islam to be of a charitable nature according to their own understanding.
16. It is permissible to sell wild animals whose meat is forbidden like tiger, hyena, fox, elephant, lion, bear, and other similar animals like cat and whale if there is any legitimate benefit which makes them valuable in the market (even if in view of only some experts of that field). Non-hunting dogs and pigs are exempt from this rule.
17. It is permissible to sell and buy gold and silver utensils for the purpose of decoration; however, it is forbidden to use them for eating and drinking.
18. No *khums* is levied on the salary paid by a government in a Muslim country directly into the bank account of its employee, even if it is more than his annual expenses—as long as he does not receive it in his hands.