



NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF ART AND SCIENCE

COURSE CODE: ISL232

COURSE TITLE: Islamic Economic System



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COURSE GUIDE

Introduction:

Islam, within its comprehensive nature, has among others, the ability for evolution and development to take the contemporary issues of economic activities of mankind. In line with this reality, Islam explains in clear terms, the “dos” and “don’ts” of economic activities to enable fair dealings while one is engaging in it. Its basic objective is to increase the total economic wealth which must have the widest and most beneficent distribution among all sections of the society and that it should not become the monopoly of the rich. According to Islam, there is grievous punishment in store for those who misuse their riches to the detriment of the society. The main concern of this course is therefore, to introduce to you the Islamic Economic System.

The Course consists of 15 units discussed under 3 modules. The topics respectively discussed under the units are:

1. The Relationship of economics to Islam
2. Islamic Economic System: Lawful and unlawful earnings.
3. Property ownership in Islam.
4. Distribution of wealth.
5. Islamic view of factors of production
6. Dignity of labour
7. Contracting parties
8. Objects of Sale
9. Ethics of commercial transactions
10. Honest dealings among the contracting parties.
11. Islamic attitude to: Hoarding
12. Islamic attitude to: Profiteering
13. Islamic attitude to: Gambling

14. Islamic attitude to: Bribery

15. *Al-Qirād/Mudārabah* (Dormant Partnership) and *Bay'un Salām*

The whole lectures within the above itemized course contexts will enable you to know the underlying objective of the Islamic economic system at striking a balance and maintaining an equilibrium between the religious activities which is *sine qua non* to man's spiritual uplift and economic activities which are the mainstay of man's sustenance.

WHAT YOU WILL LEARN IN THIS COURSE

The overall aim of ISL232: Islamic Economic System is to acquaint you with the Islamic provisions for the Economic life of man. As a complete way of life, Islam is presenting through this course, a guide to Muslims and by extension, to mankind in general, on the best way man is expected to engage in economic activities that will enable him live a worthy life on earth and at the same time attain blissful end in the life hereafter.

COURSE AIMS

The aim of this course is to put you through all necessary information you may need to facilitate your understanding of the Islamic economic system. This will be achieved by:

- Taking you through the definitions of Islam and Economic System
- Taking you through the relationship between Islam and Economy
- Explaining to you what constitute lawful and unlawful economic activities under Islamic Economic System
- Discussing with you some economic problems and Islamic solutions to them.

COURSE OBJECTIVES

To achieve the aims set out above there are overall set objectives. In addition, each unit also has specific objectives. The unit objectives are always included at its beginning. You read them before you start working through the unit. You may want to refer to them during your study of the unit to check your progress. You should always look at the unit objectives after completing a unit. This way you can confirm whether you have done what was required of you by the unit.

Stated below are the wider objectives of this course as a whole. By meeting these objectives, you should have achieved the aims of the course as a whole.

On successful completion of the course, you should be able to:

- Define Islam and Economic System
- Explain the relationship between Islam and Economic System
- Explain the lawful and unlawful economic activities according to Islamic view point
- Identify some economic problems
- Give some Islamic solutions to some identified problems.

WORKING THROUGH THIS COURSE

To complete this course, you are required to read the study units, read recommended books and read other materials provided by the National Open University of Nigeria (**NOUN**). Each unit contains self- assessment exercises, and at points in the course, you are required to submit assignments for assessment purposes. At the end of this course, there is a final examination. You will find below list of all the components of the course and what you have to do.

COURSE MATERIALS

Major components of the course are:

- 1 Course Guide
- 2 Study Units
- 3 Textbooks

- 4 Assignment File
- 5 Presentation Schedule

In addition you must obtain the materials. They are provided by the **NOUN**. Obtain your copy. You may contact tutor if you have problems in obtaining the materials.

Each unit contains a number of self-tests. In general these self- tests examine you on the material just covered or require you to apply them in some ways and thereby, help you to evaluate your progress and performance in your assignments. The exercises will assist you in achieving the stated learning objectives of the individual units and of the course.

SET TEXTBOOKS

1. Khurshid Ahmad (1976). *Studies in Islam Economics*. The Islamic Foundation. U.K.
2. Ibn. Taymiya (1982). *Public Duties in Islam*. The Islamic Foundation. U.K.
3. Omar Zohair Hafiz (1983). *Journal of Research in Islamic Economics*. International Centre for Research in Islamic Economics. Saudi Arabia.
4. Ruxton F.H. (1916) *Maliki Law* London p.227
5. Abdul Rahman I Doi (1984) *Shariah The Islamic Law* TaHa Publishers. London p.367
6. Sayyid Sabiq (1971) *Fiqh us-Sunnah* Darul Kitab al-Arabiyyah, Beirut Lebanon p.202
7. Abdul Rahaman Al-Jazeer (N.D.) *Fiqh ala Madhhabil arba 'ah* vol 3 p 52-54
8. Mufti Muhammad Taqi Usman (N.D.) *An Introduction to Islamic Finance* pp47-62

ASSIGNMENT FILE

In this file, you will find all the details of the work you must submit to your tutor for marking. The marks you obtain from these assignments will count toward the final mark you obtain for this course. Further information on assignment will be found in the assignment file itself and later in this course guide in the section on assessment.

PRESENTATION SCHEDULE

The presentation Schedule included in your course materials gives you the important dates for the completion of tutor-marked assignments and attending tutorials. Remember, you are required to submit all your assignments in good time. You should guard against being late in submitting your work.

ASSESSMENT

There are two types of assessments in the course. First are the Tutor-Marked Assignments; second are the written examinations. In tackling the assignment, you are expected to apply information and knowledge acquired during this course. The assignments must be submitted to your tutor for formal assessment in accordance with the deadlines stated in the assignment file. The work you submit to your tutor for assessment will count for 30% of your total course mark.

At the end of the course, you will need to sit for a final two-hour examination. This will also count for 70% of your course mark.

TUTOR-MARKED ASSIGNMENT

There are fifteen tutor-marked assignments in this course. You need to submit all the assignments. The best five (i.e the highest five of the fifteen marks) will be

counted. The total marks for the four (4) assignments 30 %, will be of your total course mark.

Assignment questions for the units in this course are contained in the Assignment file. You should be able to complete your assignments from the information and materials containing in your set textbooks, reading and study units. However, you are advised to use other references to broaden your view point and provide a deeper understanding of the subject.

When you have completed each assignment, send it together with Tutor-Marked Assignment (TMA) form to your tutor. Make sure that each assignment reaches your tutor on or before the deadline given in the assignment file. If, however, you cannot complete your work in time, contact your tutor before the assignment is done to discuss the possibility of an examination.

FINAL EXAMINATION AND GRADING

The final examination of ISL232 will be of two hour duration and 70% have a value of the total course grade. The examination will consist of questions which reflect the type of self-testing, practice exercise and tutor-marked problems you have come across. All areas of the course will be assessed.

You are advised to revise the entire course after studying the last unit before you sit for the examination. You will find it useful to review your tutor- marked assignments and the comments of your tutor on them before the final examination.

COURSE MARKING SCHEME

This table shows how the actual course marking is broken down.

Assessment	Marks
Assignment 1-15	Best five marks out of fourteen count @ 10% each = 50% of course marks
Final Examination	50% of overall course marks
Total	100% of course marks

Table 1: course marking scheme

COURSE OVERVIEW

Units	Title of work	Weeks activity	Assessment (end of unit)
1	The Relationship of economics to Islam.	1	Assignment 1
2	Islamic Economic System: Lawful and unlawful earnings.	2	Assignment 2
3	Property ownership in Islam.	3	Assignment 3
4	Distribution of wealth.	4	Assignment 4
5	Islamic view of factors of production	5	Assignment 5
6	Dignity of labour	6	Assignment 6
7	Contracting parties	7	Assignment 7
8	Objects of Sale	8	Assignment 8
9	Ethics of commercial transactions	9	Assignment 9
10	Honest dealings among the contracting parties.	9	Assignment 10
11	Islamic attitude to: Hoarding	10	Assignment 11
12	Islamic attitude to: Profiteering	11	Assignment 12
13	Islamic attitude to: Gambling	12	Assignment 13
14	Islamic attitude to: Bribery.	13	Assignment 14
15	<i>Al-Qirād/Mudārabah</i> (Dormant Partnership) and <i>Bay'un Salām</i>	14	Assignment 15

Table 2: Course overview

HOW TO GET MOST FROM THIS COURSE

In distance learning the study units replace the university lecturer. This is one of the great advantages of distance learning; you can read and work through specially

designed study materials at your own pace, and at a time and place that suit you best. Think of it as reading the lecture instead of listening to lecturer. In the same way that a lecturer might set you some reading to do, your study units provide exercises for you to do at appropriate points. Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit and how a particular unit is integrated with the other units and the course as a whole. Next is a set of learning objectives. These objectives let you know what you should be able to do. When you have finished the units, you must go back and check whether you have achieved the objectives. If you make a habit of doing this, you will scientifically improve your chances of passing the course.

The main body of the units guides you through the required reading from other sources.

READING SECTION

Remember that your tutor's job is to help you. When you need help, don't hesitate to call and ask your tutor to provide it.

- 1 Read this course guide thoroughly
- 2 Organize a study schedule. Refer to the 'course overview' for more details. Note the time you are expected to spend on each unit and how the assignments relate to the units. Whatever method you choose to use, you should decide on and write in your own dates for working on each unit.
- 3 Once you have created your own study schedule, do everything you can to stick to it. The major reason that students fail is that they get behind with their course work. If you get into difficulties with your schedule, please let your tutor know before it is too late for help.
- 4 Turn on unit 1 and read the introduction and the objectives for the unit.
- 5 Assemble the study materials. Information about what you need for unit is given in the "Overview" at the beginning of each unit. You will almost always need both the study unit you are working on and one of your set books on your desk at the same time.
- 6 Work through the unit itself has been arranged to provide a sequence for you to follow. As you work through the unit you will be instructed to read sections from your set books or other articles. Use the unit to guide your reading.

- 7 Review the objectives for each study unit to confirm that you have achieved them. If you are not sure about any of the objectives, review the study material or consult your tutor.
- 8 When you are confident that you have achieved a unit's objectives, you can then start on the next unit. Proceed unit by unit through the course and try to face your study so that you keep yourself on schedule.
- 9 When you have submitted an assignment to your tutor for marking, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor's comments, both on the tutor-marked assignment form and also on what is written on the assignment. Consult your tutor as soon as possible if you have any questions or problems.
- 10 After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objectives (listed in this course guide).

TUTORS AND TUTORIALS

There are 8 hours of tutorials provided in support of this course. You will be notified of the dates, times and location of these tutorials, together with the name and phone number of your tutor, as soon as you are allocated a tutorial group.

Your tutor will mark and comment on your assignments, keep a close watch on your progress and on any difficulties you might encounter. He will also provide assistance to you during the course. You must mail your tutor – marked assignments to your tutor well before the due date (at least two working days are required). They will be marked by your tutors and returned to you as soon as possible.

Do not hesitate to contact your tutor by telephone, e-mail, or discuss with him if you need help. The following might be circumstances in which you would find help necessary.

CONTACT YOUR TUTOR IF:

- You do not understand any part of the study units or the assigned readings.
- You have difficulty with the assessment exercises.
- You have a question or problems with an assignment, with your tutor's comments on an assignment or with the grading of an assignment.

You should try your best to attend the tutorials. This is the only chance to have face to face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from course tutorials, prepare a questions list before attending them. You will learn a lot from participating in discussion actively.

SUMMARY

ISL232 introduces you to some things you need to know about Islamic economic system. We all know how important economic activities are in the life of man. Every body wakes up in life to find one way or the other to keep both the body and the soul together through various economic activities. Many are so desperate that they don't care about lawfulness or unlawfulness of the ways they get their living. In this course you have been exposed to what Islam presents as better alternatives to various ineffective economic activities ever known to man.

We wish you success with the course and hope that you will find it both interesting and useful.



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ISL232: ISLAMIC ECONOMIC SYSTEM

MODULE I: ISLAM AND ECONOMY

Unit 1: The Relationship of Economics to Islam.

Unit 2: Islamic Economic System: Lawful and unlawful earnings.

Unit 3: Property ownership in Islam.

Unit 4: Distribution of wealth.

Unit 5: Islamic view of factors of production

Unit 1: The Relationship of Economics to Islam.

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3.2 Islam and Economics

3.3 The Spirit of Islamic Economic System

Conclusion

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1.0 Introduction

You will learn in this unit about Islam as a religion and a total way of life covering aspects of economic matters. Against this submission, you will know the basic teachings of Islam on economic activities using references from the Qur'an and Hadith.

2.0 Objectives

At the end of this unit, you should be able to:

- i. explain the meaning of the term 'Islam' and its comprehensive coverage of human activities including economic matters;
- ii. describe the Qur'anic injunctions and *Ahadith* i.e. the traditions of Prophet Muhammad (SAW) concerning economic matters.

3.0 Main Course

3.1 Islam: A complete way of life

Islam means, among other things, peace, purity, submission and obedience. In the religious sense, the word 'Islam' means submission to the will of God and obedience to His laws. The connection between the original and the religious meanings of the word is strong and obvious. Only through submission to the will of God and by obedience to His law i.e. *Shari'ah*, can one achieve peace and enjoy lasting purity. When we speak of Islam, we are concerned not only with a religion akin to the other monotheistic religions, Judaism and Christianity, but with a way of life, a system that encompasses the relationships of the adherents to one another and to their society from birth until death. The *Shari'ah* is drawn from four sources which are divided into primary and secondary sources. The two primary sources are the Qur'an and the Hadith or *Sunnah* (the sayings and the practices) of Prophet Muhammad while the two secondary sources are the *Ijmā'u* (the consensus opinion of Scholars) and the

Qiyās (the analogical deduction) of the individuals. References are drawn from all these four to decide on all matters on the life of a Muslim.

Self Assessment Exercise I

How will you justify that Islam, apart from being a religion, is also a complete way of life?

3.2 Islam and Economics

Perhaps the question may be asked, what is the business of Islamic religion with economics? The answer to this question from the Islamic point of view is, religion is a set of beliefs, which regulates man's relationship with his Creator, other human beings, other elements or creatures (both animate and inanimate) in the universe and finally himself. In other words, religion is intended to regulate human behaviour and of course human economic behaviour is one of the most important aspects of human behaviours. It is not therefore strange to have an economic system that is solely based on the teaching of a religion.

Studies show that all economic regulations are not entirely value-free or value-neutral. By this assertion, we mean that an economic system, be it capitalist economic system, socialist economic system or welfarist economic system among others, is not devoid of certain values on which it is based.

The western conception of religion claims that what belong to Caesar be given to Caesar. From the Islamic point of view, there is nothing belonging to Caesar as everything, Caesar inclusive belongs to Allah.

The first premise which we want to establish is that economics in an Islamic framework operates with its feet firmly rooted in the value-pattern embodied in the Qur'an and the *Sunnah*. We study human behaviour as it articulates itself in different value-backgrounds and also how to influence it to fulfil the norms to which the society is committed. All the technological relationships between inputs and outputs are to be analyzed and investigated in this framework. The

attitude, tastes, motives, social customs etc, which are ordinarily treated and given as “constant” become variables subject to policy manipulations. The scope of Islamic economics is wider than that of economics. Its approach has to be more global and holistic. The widening of the scope takes place at both levels, horizontal as well as vertical or inter-temporal. This represents a new approach to the study of the economic problems of man.

Islam, though primarily normative, is not devoid of positive economic statements or hypotheses. The quotations that follow illustrate this idea from the Qur’an and the authentic sayings of the Prophet, upon whom be blessings and peace.

Beautified to mankind is love of lusts – woman, Off-spring, heaped up of gold and silver, horses of mark, cattle and tillage, that is the enjoyment of the present life; but ‘God – with Him is the fairest abode. (Qur’an 3:14).

Surely man is passionate in his love for wealth. (Qur’an 100:8).

Man is depicted in these verses as having a strong and insatiable love of wealth – economic will power. This hypothesis is in agreement with what economists usually assume in this regard.

i (a) Had I knowledge of the unseen, I should have abundance of wealth, and adversity would not touch me. (Qur’an Chapter 7, verse 188).

(b) No soul knoweth what it will earn tomorrow ... (Qur’an Chapter 31, verse 34).

These two Qur’ānic verses, among several others as contained in the holy Qur’an, emphasize the assumption of uncertainty about the future consequences of present actions. Few could doubt the realism of this assumption. Nevertheless, significant parts of economics, especially in the theories of capital, interest and the firm, are still based on the opposite assumption of perfect foresight.

Self Assessment Exercise II

How relevant are the following Qur’anic verses to the economic pursuit of man in the present life?

“Beautified to mankind is love of lusts – woman, Off-spring, heaped up of gold and silver, horses of mark, cattle and tillage, that is the enjoyment of the present life; but ‘God – with Him is the fairest abode.’” (Qur’an Chapter 3 verse 14).

“(Verily) We have honoured the sons of Adam, provided them with transport on land and sea, given them for sustenance, things good and pure, and conferred on them special favours above a great part of Our creations.” (Q17:70)

- ii (a) If God were to enlarge the provision for His servants, they would indeed transgress beyond all bounds through the earth; but He sends (it) down in due measure as He pleases. For He is with His servants, well acquainted, watchful. (Qur’an Chapter 42, verse 27).
- (b) Nay, verily man is overbearing, because he sees himself possessed of riches. (Qur’an Chapter 96, verses 6 and 7).

These two verses indicate one effect of a substantial increase in wealth and income on human behaviour.

- iii. And in no wise covet those things in which God hath bestowed His gifts more freely on some of you than the others; to men is allotted what they earn and to women what they earn, but ask God of His bounty. For God has full knowledge of all things. (Qur’an Chapter 4, verse 32).

It is related in authentic *Hadith* that the Prophet, upon whom be blessings and peace said:

Observe those less fortunate than you are and do not observe those more fortunate than you are – by doing so you will be

less likely to feel ungrateful for Allah's bounty. (Bukhari and Muslim).

The above Qur'anic verse implies among other things that an individual's demand for goods is affected by the consumption of others. The quoted *Hadith* implies that the utility a consumer derives from a good is affected by his relative position as compared to others (income-wise and other-wise). The individual is encouraged however to overcome this tendency.

Many more quotations can be given to illustrate the fundamental Islamic assumption that individual utilities are highly interdependent. This contradicts the assumption of autonomy and independence of utilities which is basic to much of the theory of consumer behaviour and welfare economics. Significantly, Islam insists on fair and even distribution of wealth as the basic underlying principle guiding its economic system. Islam insists that absolute ownership of everything belongs to Allah and the whole of mankind is His vicegerent on earth and everybody has his due share in it. Thus, everybody has the right to participate in the process of production and no section of society will be ignored in the process of distribution.

3.3 The Spirit of Islamic Economic System

The following may underscore the spirit behind the adoption of Islamic Economic System:

1. To encourage people to be conversant with the *Shari'ah* principle and its economic philosophy. The economic system in Islam is drawn and conceived in the glimmer of a comprehensive system of moral values and principles. This means that a Muslim needs to be conversant and knowledgeable in the philosophy and the principles of transactions as laid down by Islamic rules in earning ones livelihood. Islam as a religion does not intend to deprive one's acceptable liberty on business transactions but rather cautions on how transactions should be made to refrain from or avoid doubtful activities, which many Muslims are not aware of.

2. To reform the Muslims' financial institutions and reposition them in accordance with the *Shari'ah*. The Qur'an states that all resources in the heaven and on the earth had been created for the services of mankind. This is contained in the following verse:

“Allah has made subservient to you whatever is in the heavens and on the earth and granted you His bounties both manifest and hidden”
Q31:20

Islam considers it a sin for any able person to depend on somebody else for livelihood. The act of begging, laziness and all sorts of being a liability to others are, in Islamic view, social stigmas and disgraceful humility while creating all sorts of lawful jobs is widely encouraged by Islam.

3. To free the Muslims from the economic and political dominance of the West. Over the last decade and from the early century till date, the West has dominated the political and economic arena worldwide. The menaces of the greedy capitalists and the destructive communists have had serious impacts on the Muslims. Human beings generally are not equal because of class difference, which should be replaced by cooperation and harmony. By adopting Islamic Economic System, monopoly, cheating and exploitation based on the survival of capitalism etc. will be rooted out completely.
4. To structure the financial institutions on interest-free bases; this will be discussed extensively later.
5. To establish a universal brotherhood. The most authentic brotherhood that Islam advocates for is a universal one which is not bound by any geographical limits. It is the one that encompasses the whole mankind and not any familiar group, race or tribe.

Self Assessment Exercise III

Summarize the spirit behind the adoption of Islamic Economic System.

4.0 Conclusion:

You should have noticed from the foregoing submissions that Islam is not only a religion but a total way of life accommodating aspects of economic activities. Islam being a symbol of life code transcends political, economic, legal and social activities of man.

It has to be noted here that the basic notion of the science of economics owes its origin to the references from the holy Qur'an and the *Hadith* of the Prophet. We have thus seen through them that Islam had something to contribute to the practical dimension of economic analysis.

There is nothing in Islam to stop anyone from acquiring wealth and seeking material improvements through legal means and decent channels. Without efforts in this area nothing can be lawfully earned economically. It is necessary here for you to recall how Islam teaches the need to view its injunctions to avoid economic problems. As will be seen later, at no stage are these economic activities to be free from the yoke of moral considerations in Islam.

5.0 Summary:

In this unit we have dealt with the definition of Islam as a religion and a way of life. The comprehensive nature of the religion of Islam covers aspects of economic matters tracing its root to the holy Qur'an and the *Hadith*. The individual according to Islam, must take into account the Islamic injunctions in pursuing his economic activities to enable it be in complete harmony with the peace and well-being of society as a whole.

6.0 Tutor-Marked Assignment

Discuss the relationship between Economics and Islam

1.0 References/Further reading materials

Khurshid Ahmad (1981). *Studies in Islam Economics* International Centre

- for Research in Islamic Economics. The Islamic Foundation. U.K.
- Hammudah Abdalati (1979). *Islam in Focus* World Assembly of Muslim Youth. Saudi Arabia.
- Syed Nawab Haider Naqri (1981). *Ethics and Economics – An Islamic Synthesis*. The Islamic Foundation. U.K.
- Ibn Taymiya (1983). *Public Duties in Islam – The Institution of the Hisba* The Islamic Foundation. U.K.
- Caesar E. Farah (1994). *Islam*. Barron’s Educational Series. Inc. New York. USA.
- Tirmidhi Sayyid Sabiq (1971) *Fiqh us-Sunnah* Darul Kitab al-Arabiyyi, Beirut Lebanon, Vol 3 p.43

Unit 2: Islamic Economic System: Lawful and Unlawful Earnings

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- 2.0 Objectives
- 3.0 Main Content

3.1 Participation of Muslims in Economic activities

3.2 The Lawful and the Unlawful in the face of the *Shari 'ah*

- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References / Further Reading

1.0 Introduction

This lesson will enable you to understand the features of the Islamic Economic System in relation to lawful and unlawful earning activities. There is nothing in Islam stopping the Muslims from acquiring wealth and seeking for material improvements through lawful economic means. It is as a result of this that Islam encourages Muslims to engage in lawful trade activities through legal means and decent channels.

2.0 Objectives

At the end of this lesson unit, you should be able to:

- (i) realize the fact that there is nothing in the Islamic economic system precluding Muslims from earning their means of livelihood through any lawful means;
- (ii) familiarize yourself with the differences between lawful and unlawful earnings;

- (iii) broaden your knowledge on why the Islamic economic system enjoins lawful and forbids unlawful earnings ethically.
- (iv) quote and explain some Qur'anic verses and Prophet traditions supporting Muslims' participation in economic activities.

3.0 Main Course

3.1 Participation of Muslims in Economic activities

Islam, through the *Shari'ah* provisions, enjoins Muslims only to engage in lawful trade activities for lawful earnings. There is nothing in Islam to stop them from acquiring wealth and seeking for material improvements through lawful means. Economic activities in this sense include skills in farming, trading, fishing, building, teaching, legal practice, engineering works, tailoring, transporting and in fact all such other professions through which someone can earn a lawful and meaningful living without necessarily being dependent on others. Without efforts in these areas nothing can be lawfully earned. The holy Qur'an reminds man that he can not achieve any economic progress without making lawful efforts towards its achievement.

Qur'an Chapter 52, Verses 39-40 reads:

That man can have nothing (economically) but what he (lawfully) strives for. That (the fruit of) his striving will soon come in sight.

This is a clear indication that hands, brains and physical bodies should be engaged in getting out the best method of earning through lawful means, out of the abundant resources Allah has entrusted to man's care. The object of trade is to earn either necessary livelihood or to gain enormous wealth. Islam therefore sues for good-will in trade as this is ethically regarded as a valuable asset to tradesman.

Self Assessment Exercise I

Why do you think it is necessary for Muslims to participate in economic activities?

3.2 The Lawful and the Unlawful in the face of the *Shari'ah*

The *Shari'ah*'s rules on trade classified the honest trader with the faithful on account of his being steadfast to truth and classed him with martyrs on account of his fighting with heavy odds in treading the path of virtue and honesty in his lawful trading activities. The *Shari'ah* provisions on trade activities, where practiced, are capable of:

1. securing the rights of the individual;
2. maintaining the solidarity of society;
3. introducing high morality to the world of business, and
4. enforcing the law of Allah in that sphere of lawful trade activities.

Owing to the absence of these elements of the *Shari'ah* provisions in lawful trade activities, people are hard-pressed with dire economic problems.

Islam denounces in strong terms all sorts of deceitful dealings and unlawful profits in trade activities. A justified trade transaction is therefore seen through the following provisions as the one in which the parties concerned did not:

defraud;

cheat; and

disobey Allah in the process of buying and selling.

In view of this reality, the holy Qur'an enjoins giving full measure, weighing justly and avoiding any form of cheating and mischief.

And, oh! My people, Give full measure and weigh justly and defraud not men of their rights and act corruptly in the land making mischief. What remains with Allah is better for you if you are believers. Q. 11:85-86.

The fundamental principles of lawful trade transactions from these submissions include:

to give just measure and weight;

not to withhold from others due;

not to commit evil on the earth with the intent of doing mischief; and

to be contented with the profit that is left after the other party had been paid his due.

Self Assessment Exercise II

According to the passage above, what do you feel the Shari‘ah provisions on trade activities are capable of doing?

Invariably, the ever re-occurring regulations on lawful trade transactions should rather be seen as moral obligations, which amount to command from Allah.

Islam has always emphasized lawful earning of livelihood. All unlawful means of acquiring property are prohibited as these, in the end, destroy people. The holy Qur’an warns against any unlawful means of acquiring property as hell fire will be the end result of those who engaged in it.

If any do that in rancor and injustice, soon shall we cast them unto hellfire, and easy it is for Allah. (Q.4:30).

To combat cheating and exploitation, Islam demands honesty in trade activities, warns cheaters to desist from it, encourages decent works and forbids usury. This is with a view at showing man that he rightly owns only what he works for and that exploitation of other’s pressing needs is irreligious, inhuman and immoral. Besides the aforementioned Qur’anic references there are numerous traditions (*Ahadith*) of the holy Prophet Muhammad (S.A.W.) excluding the cheats, exploiters, monopolists and dishonest business people from the band of the true Muslims as a result of their inability to abide with checks and limitations that *Shari‘ah* imposed on them. The honest merchant works for the benefit of humanity and thus finds a place with those

righteous servants of Allah whose lives are devoted to be the benefit of humanity. On this, the Prophet is reported to have said:

“The truthful honest merchant is with the Prophets, the truthful ones and the martyrs.”

While dealing with others in trading lawful activity, the *Shari'ah* enjoins act of generosity. On this issue, the Prophet has this to say:

May Allah have mercy on the man who is generous when he buys and when he sells and when he demands (his due). (Bukhari).

On the checks, the *Shari'ah* sets that any defect in things sold must be made manifest as this singular act will earn the transaction Allah's blessings and to do otherwise, the blessing shall be obliterated.

By setting these checks, Islam thus encourages only those lawful and legitimate trade activities which are in complete line with social good of man. It follows that Islam frowns at unlawful monopoly of resources. In this way, Islam harmonizes the money earnings and money spending activities in such a way that they may promote welfare of the people. Invariably, despite the fact that Islam insists emphatically on the practice of moderation, justice and fair play in lawful trade activities, it urges man repeatedly to be conscious of the fact that Allah is ever watching and will call man to account for how he controls and administers all the entrusted resources He endowed him with.

4.0 Conclusion

As could be realized from the above, there are various injunctions which Islam has prescribed in the *Shari'ah* in relation to lawful and unlawful trade activities. There also are ethical regulations that are to be observed individually aiming at maintaining the well-being of the society. These rules, where they are allowed to operate, become a part of the society and bring pleasant relationship. Owing to the relationship between soul and body, the rules tend towards the total well-being of the individual and the generality of the people. Islam regulates the money earning and money

spending activities of the individual within a given state, lawful and unlawful in such a way as they promote the peace of mind of the doer and the welfare of the people.

5.0 Summary

In this unit, we have dealt with the meaning and scope of property ownership from the Islamic perspective. The *Shari'ah* justification for Muslims' participation in economic activities and what constitutes the lawful and the unlawful activities were discussed.

6.0 Tutor Marked Assignment

With the aid of *Shari'ah* provisions, discuss the participation of Muslims in lawful or unlawful economic activities.

7.0 References / Further reading materials.

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Unit 3: Property Ownership in Islam

- 1.0** Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Definition and division of property
 - 3.2 Acquisition of property
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References / Further Reading

1.0 Introduction

The main concern of this lesson is to teach you that property ownership, as an aspect of economy, features prominently in Islam. Part of the Islamic teachings enjoins Muslims to long for the bounties of Allah to earn legitimate means of livelihood. Islam insists that ownership of everything belongs to Allah, He grants to whosoever He wills part thereof for prosperous life. What to pursue legitimately, how to go about it without involving oneself in unlawful property ownership, remain crucial to this lesson. This is with a view to teach the scope and limitation of a Muslim pursuit at attaining ownership of lawful property in Islam.

2.0 Objectives

At the end of this lesson unit, you should know that:

- (i) Islam has guidelines and provisions for Muslims at seeking ownership of property in a lawful manner.
- (ii) Every pursuit at seeking for the bounties of Allah to earn a legitimate property is not devoid of limits set by Allah for ones guidance.

- (iii) Legal ownership of property as recognized and safeguarded in Islam is subjected to certain ethical obligations within the *Shari'ah* stipulation for Muslims' recognition and application.

3.0 Main Course

1.1 Definition and division of property

Property, otherwise referred to as *Māl* under the Islamic Economic System, consists of items or anything towards which human beings tend to incline and which can be held in reserve. The Islamic Jurists divide property into two viz:

(1) Movable (*manqūl*)

(2) Immovable (*ghayr manqūl*)

Movable properties are those properties that can be removed from one place to another. These can also be classified into two: 'Similar' (*mithliy*) e.g. gold, silver, grains, oil and any other such items that can be measured or weighed; and 'Dissimilar' (*qimiy*) examples of which are: vehicles, animals, furniture items, clothes and other such items that are not sold by measures or weight.

Immovable properties on the other hand are those that cannot be removed from where they are located to another place e.g. land and houses.

Self Assessment Exercise I

Define property and explain its divisions according to the opinion of the Islamic Jurists.

3.2 Acquisition of property

Acquisition of property or property ownership is instinctive in human beings. It is part of human nature to be inclined to acquire property to attain survival. Just like any other aspect of human activity, Islam seeks to regulate the functioning of that instinct. It is as a result of this that Islam does not allow the

instinct to acquire property to operate without guidance and restriction. This of course is true of all other aspects of the teachings of Islam. For instance, it is a natural thing for man to satisfy the natural urge but Islam comes in, to regulate the mode of satisfying that urge. In history, man has used this natural propensity in various dimensions. Some have indeed used those instincts in satisfying their natural urge without giving due consideration to the rights of others. On the other hand, some have practically denied the individual the right to property to the extent of declaring everything as belonging to the community. Islam, as a leveling factor, maintains the balance between the extremes and exaggerated opposites. Islam insists that all property belongs to Allah and that man is just a trustee. That Allah owns everything can be defended as Allah Himself claims His authority over everything. The creation and ownership of everything by Allah accords Him the power to bestow and withdraw power to whosoever He pleases. (Qur'an: 3 verse 26).

Perhaps one may be tempted to say that the confirmation of Allah on the absolute ownership of everything by Him has a moral undertone. The fact still remains that it also has economic implications. Furthermore, in spite of Allah's absolute ownership of all things, man as His vicegerent on earth, is given the right to own certain things. That Allah has ascribed the ownership of certain things to man is an Islamic conception of divine love. That man has been endowed with the right to own certain things is but circumscribed by the limit which Allah has prescribed. That right should therefore, be exercised towards the end that Allah has defined. Man's right to property is not personal but limited and qualified. The bane of falling people has been to assure absolute right of property. Perhaps some critics may want to point out some contradictions between the two points i.e. sovereignty of Allah and man's endowed right to own property. There is no such contradiction because both the property and its owner belong to Allah. This world is ephemeral. Human beings are pilgrims in transit and therefore temporary sojourners on this planet. Allah alone is the Eternal.

Further clarification can also be made in this prospective. There are certain properties that are owned by Allah and to which human beings do not have access whatsoever. Examples of these are: the planets, e.g. Jupiter, Mars, Sun, Saturn, and Cosmos. There are other categories of property owned by Allah but are recognized as common property; e.g. the oceans. Though people can own the territorial water within their community, it is still regarded as common property. Invariably, there are other kinds of property owned by a group of people to the exclusion of others. These items of property are not owned by individuals they include state lands or community lands, forest reserves. Lastly, another type of property is the one owned by individuals or groups of individuals, e.g. family land. Property in whatever form it takes owned in trust since absolute ownership belongs to Allah, the kind of ownership notwithstanding. The trust is conditional in the sense that man benefit equally and not to the exclusion of any one. It is not for the enrichment of one's self or exploiting others, or holding others in subjection. Thus Islam allows private ownership of property, but subjects the owner to restrictions preventing him from using the property except for the common good of all. It encourages the acquisition of private property, but requires that this should be by means conducive to the good of the community as a whole. In brief, while Islam allows the individual to promote his own good, it exhorts not to forget that he is part of the group and reminds him of the need to protect and promote the interest of fellow beings.

Self Assessment Exercise II

Assess the concern of Islam on acquisition of property

Studies in Islam on property acquisition reveal the following:

- (a) Property can be acquired through labour, expertise or lawful occupation such as hunting, fishing, teaching, buying and selling etc.;

- (b) Property can be acquired through rights conferred upon someone by the *Shari'ah* e.g. a wife has right to own a property given her by her husband as *Sadaq* (bridal gift);
- (c) Property can be acquired through inheritance i.e. whatever inheritance due to someone by right;
- (d) Property can also be owned through *Zakat*, someone is entitled to *Zakat* and he is given;
- (e) Property may also be acquired through *Hibah* – gifts; and
- (f) Property may also be owned through the exchange of goods and services. Exchange of utilities is regarded as a lawful source.

The basic objective of these *Shari'ah* principles is to increase the total economic wealth, which must have the widest and most beneficent distribution among all sections of the community and should not become the monopoly of the rich. Furthermore according to the *Shari'ah* provisions, there is a grievous punishment in store for those who misuse their riches to the detriment of society. The owner has no right to destroy useful property. Wasteful use and extravagance are prohibited. The owner of any given property has to avoid using it in a manner injurious to others or detrimental to public interest. Morally oriented individual action is thus expected to ensures the achievement of socially desired results to a large extent.

4.0 Conclusion

Judging from the above submissions on property acquisition, Islam enjoins that it is not an ascetic religion and therefore does not in any way aim at depriving the Muslims from acquiring property for their well beings in life from the endowed bounties of Allah. Man as vicegerent of Allah on earth is given the right to own certain properties for the good of the community as a whole. In

Islam only good things are considered lawful since it is not everything that is useful which is good.

Every pursuit and activity at acquiring property, which has the tendency to disturb peace, is severely condemned in Islam. Righteous living proper and balanced use of one's properties from the bounties of Allah is the rule of life in Islam.

5.0 Summary

The definition, division, and the various modes by which property could be acquired were the major items of our discussions in this unit. It was made known that properties, either movable or immovable, are basically owned by Allah and are placed under the control of man as His vicegerent. The bottom line is that whatever a man should acquire out of the bounties of Allah should be lawfully acquired and should be utilized for the general benefit of mankind.

6.0 Tutor Marked Assignment

State and thereafter explain the various modes through which properties can be lawfully acquired in Islam.

7.0 References / Further reading materials.

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Islamic Foundation. U.K.
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Routledge. London and New York.

Unit 4: Dignity of Labour in Islam

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Islam and lawful livelihood
 - 3.2 The relationship of Employer with his Employee:
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References / Further Reading

1.0 Introduction

In this unit you will learn about the Islamic teachings on dignity of labour, the expectation, gain, the relationship between employer and employee – for a better understanding of the subject matter. This is with a view to guide you towards familiarizing yourself with the stand of Islam on the dignity of labour, devoid of all forms of injustice and exploitation in whatever manner among men.

2.0 Objectives

At the end of this lesson, you should be able to discuss on your own, the stands of Islam on dignity of labour; identify the ways and manners a labourer should put in his best in his chosen job and how his employer should treat him and pay him a just wage in return.

3.0 Main Content

3.1 Islam and lawful livelihood

Islam lays much emphasis on dignity of labour urging Muslims to embark on the various activities that may earn them the bounty of Allah on earth. (Q.7:32).

Every Muslim is under obligation to work in order to live and nobody is entitled to any gain or reward without exerting a productive effort and shouldering the subsequent risk. In other words, any gain valued by any person or earned without work is not legitimate. Any work, effort or enterprise that insures to its owner, a gain without risk or that precludes any loss to him is equally illegitimate.

On an occasion, one of the *Ansar* approached the Prophet for alms. He was not given. Instead, he was advised to sell his woolen carpet and cup, the only things he had and spend the proceeds to buy a hatchet. This, he would use to cut woods and sell to earn his livelihood. The man took the advice and was happy to report back after fifteen days. Commending him, the Prophet (S.A.W.) said:

“This is better for you than thou should come on the Day of Resurrection with black marks upon thy face”.

On another occasion, the Prophet was reported to have said: “The best of what one eats is that which one laboured for.”

To be able to do this successfully, it is necessary to gain proficiency in the career one has chosen, because Islam desires that whenever any one of you performs a job, he does it perfectly. Islam abhors laziness and dependent living. Everybody should be responsible for himself to earn legitimate earnings for his wellbeing as a righteous worker.

The righteous worker is the one who is sincere and well-wishing in his work. One who does his work with high sense of sincerity and good-will. He keeps in view his own interest and that of his employer. He should do his work wholeheartedly so that all may enjoy the blessings of social peace and security arising from a balanced and moderate fulfillment of rights and obligations. The detailed exposition of this resume is brought out in an incident that occurred

during the days of the holy Prophet Muhammad (S.A.W.) in which it is narrated:

Once a time, the holy Prophet (SAW) was entering his mosque while Abdullah bin Umar (R.A.) was getting out of the door of the mosque. The Prophet (SAW) inquired from him, what had brought him to the mosque? He replied: to remember and worship Allah. The Prophet (SAW) asked: Where do you intend to go? He replied: Now, I intend to go out in Allah's land in search of livelihood for my family. Abdullah (R.A.), putting both his hands on my shoulders said, the Prophet of Allah (SAW) said: Live in this world like an alien wayfarer. Work hard for your worldly gains as if you shall live here forever, and work for your hereafter as if you are to pass away just tomorrow.”

Self Assessment Exercise I:

Enumerate some of the lessons derivable from the Prophet's advice to the beggar that came to him begging for sustenance.

3.2 The relationship of Employer with his Employee:

Of specific significance here is the relationship between the employer and the employees which Islam places in a proper setting specifying norms for the mutual treatment of both so as to establish justice between them. An employee is entitled to a just wage for his contribution to output and it is unlawful for a Muslim employer to exploit his employee. “Three persons, declared the Prophet, will certainly face Allah's displeasure on the Day of Judgment. They are: he who does not fulfill his covenant with Allah, he who sells a free person and enjoys the price, and he who engages a labourer, receives due work from him, but does not pay him his wage.” This Hadith, by placing exploitation of labour on an equal footing with the contravention of the covenant with Allah and enslaving of a free person, suggests how repugnant exploitation of labour is to the spirit of Islam. Besides being paid the just wage, Islam requires that labourers should not be made to work so hard or in such miserable conditions

that their efficiency declines, their health deteriorates or their ability to enjoy in some or participate in family life, gets impaired.

Self Assessment Exercise II:

List out the three categories of people who according to the Prophet, will meet Allah's displeasure on the Day of Judgement as discussed above.

3.0 Conclusion

Islam has a set of goals and values encouraging all aspects of human life including the aspects of dignity of labour. Since all aspects of life are interdependent and the Islamic way of life is a consistent whole, its goals and values in one field determine the goals and values of the other fields as well. Every Muslim is enjoined to work to earn from his labour, decent living. This is why laziness, beggary in whatever form is totally condemned. Productivity in human efforts must be judiciously compensated without any delay. The relationships between an employer and employee should be based on mutual trust and understanding without any form of injustice on either side to the bargain.

5.0 Summary

In this unit we have seen how Islam enjoins the Muslims to engage themselves in productive lawful labour activities to earn legitimate earnings. Islam sees searching for means of livelihood as a worthy attempt at benefiting from the uncountable bounties of Allah for man's survival on earth. This is why Islam lays much stress on dignity of labour, making obligation to search for work a test of faith, as no one is entitled to earn legitimate living without one's exerting a productive attempt. "The best of what one eats is that which one laboured for"; so said the Prophet.

6.0 Tutor Marked Assignment

Using some prophetic exhortations as supports, discuss the position of Islam on dignity of labour

7.0 References/Further reading materials

1. Khurshid Ahmad (1981). *Studies in Islamic Economic*
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Unit 5: The Acquisition and Distribution of Wealth through Trade Activities

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 More on dignity of labour in Islam
 - 3.2 Principles guiding trade and trading
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References / Further Reading

2. Introduction

The primary concern of this lesson is to acquaint you of the Islamic views on the acquisition and distribution of wealth through trade activities. There is nothing in Islam to stop the Muslims from acquiring wealth and endeavouring for material improvements through lawful means and decent pursuits of lawful trade activities.

2.0 Objectives

At the end of this lesson unit, you should be able to understand the Islamic point of views on the acquisition and distribution of wealth through lawful trade activities. The wide coverage of the Islamic teachings on human endeavours considers possession of wealth a test and not a token of virtuous excellence and privilege nobility or a means of exploitation. In view of this reality you should take note of all the expressed views on the subject matter for their better understanding.

3.0 Main Course

3.1 More on Dignity of Labour in Islam

Islam encourages hard work in pursuit of livelihood and getting up early in pursuit of lawful means of livelihood. Allah commanded the holy Prophet Muhammad (SAW) to shorten his morning prayers because of those who will be going out early to work for their livelihood (Q.73:20). In view of the emphasis that Islam places on dedication to the observation of religious acts, one would have thought that it would give no room to an admixture of religious acts and trade dealings. This is not the case in Islam; believers are allowed to take part in lawful trade even during *Hajj* sessions after all the rites of *Hajj* must have been completed (Q.2:198). Similarly, engaging in trade activities is permissible after the *Jum'ah* service on Friday. This is contained in Qur'an 62 verse 10. It should not be construed however that Islam acquiesces to making religious activities to suffer at the expense of trade activities. On the contrary, it opposes such a situation. The holy Qur'an states categorically that only those religious activities not hampered by trading activities will have the best reward from Allah and a grace more abundant (Q.24:37-38). The holy Prophet Muhammad (SAW) was reported to have expressed thus: "Allah loves to see His servant striving in an effort to acquire a legitimate means of livelihood". He stressed the need for one making the use of one's hands to earn legitimate living. The Prophet encouraged undertaking business trips and striving to ameliorate one's living standard through trading tours. The Prophet is reported to have said: "One who could not thrive in trade in Madinah should go to 'Uman for trade". He further says: "One who fails in earning his living here should better go to Egypt or to Maghrib".

The right to participate freely in legitimate trade/business earning through the *Shari'ah* provisions is not without its limitations and restrictions. These restrictions are meant to serve as a check for those who might like to abuse the open door policy of Islam. Invariably, the objective of the *Shari'ah* provisions

on acquisition and distribution of wealth is to enforce justice, stop exploitation and build a contented society for the well-being of mankind.

Wealth according to the economist means all those things, which are used as means of earning economic profit. Economic profit is that which can bring satisfaction to any human ambition. Pure and lawful in their view is all that yields some material gain. Therefore, according to them, drinking wine is permissible and lawful since it is capable of fulfilling a wish. Similarly, the business of female sex is also chaste and lawful because it yields large profits. The ethics of trade transaction in Islam forbids all such forms of unholy business activities. Islam rejects all transactions that could cause harm to the society as a whole though beneficial to a few. It is as a result of this that Islam issues directives, which are for the ultimate good of the individual and the society.

Self Assessment Exercise I:

Do you agree that engaging in lawful means of livelihood is a complement of religious practice in Islam?

3.2 Principles guiding trade and trading

Despite the fact that Islam enjoins Muslims to earn living through the lawful means, the teachings of the holy Prophet Muhammad (SAW) apart from supporting lawful earnings also emphasizes the need for traders to fear Allah. According to one of his sayings; the Prophet made mentioned that merchants will be raised on the Day of Judgement as evil doers except those who fear Allah and who are honest in their dealings with others in trade or business activities. According to the Prophet, the secret of success in business is honesty and fair dealings with customers.

It is a fact of history that the holy Prophet Muhammad (SAW) not only did his business fairly but also laid foundation for just and fair business dealings. He laid the fundamental principles of good and decent living. He never gave any

chance to his customers to complain. He was very gentle and kind in his trade transactions and advised his companions to be kind wherever they transacted any business deal with others. The effect of his generosity and benevolence was shared not only by the people of his time but eternally by all future generations in the form of just, fair and impartial regulations governing business transactions. With these principles in view, he showed the best way to become a successful businessman. His personal trade activities and those ones approved by his companions are ethically oriented as they are fundamentally based on the divine concepts of Islam. These ethical principles revolve on good intention, just dealings, goodness to others, fear and belief in Allah that all activities of man will be judged before Him including all aspects of trade transaction. The underlying concept of Islam for evolving the aforementioned ethical principles in relation to acquisition and distribution of wealth through legitimate trade activities is to sanitize the society and to ensure that justice and goodness prevail among people.

Islam unequivocally rejects the close circle of income and wealth getting narrower at each turn. “Let it (wealth) become not a commodity between the rich among you” (Q.59:7). In technical parlance, an Islamic system would insist, at a given point in time, on maximizing “total” welfare and not just (pareto – optimal) marginal welfare stipulating that income distribution would require that the “initial” conditions should satisfy this requirement. It follows that gross inequalities of income and wealth are contrary to the Islamic ideal. To attain this ideal, Islam prohibits the hoarding of wealth (Q.4:37). At the same time, Islam condemns ostentatious consumption, and extols the virtues of giving to others (Q.2:195). The basic rationale for these submissions is that in the Islamic perspective, all property i.e. wealth, belongs to Allah (Q.3:129). Hence, ‘man, being Allah’s vicegerent, holds in trust whatever is on earth.

Invariably, acquisition of wealth through legitimate means by Muslims is believed to be in the category of the activities that are permissible. Acquisition of wealth thus, through lawful means is a part of the total legal system of Islam

whose primary objective is the good of mankind. According to the Prophet Muhammad (SAW) the secret of success in trade or business is honesty and fair dealings with others. His submission has thus purified trade transactions from all kinds of malpractice including any of the elements of fraud, interest gambling, uncertainty, doubt and black marketing for judicious distribution of wealth among men. This is why nothing in Islam stopping the Muslims from acquiring wealth and endeavoring for material improvement through lawful and legitimate means for the well being of the society at large.

Self Assessment Exercise II:

Use the trading experience of the holy Prophet Muhammad to explain how Muslims should participate in trading activities.

4.0 Conclusion

In a nutshell, what Islam is concerned with in the frameworks of its teachings on acquisition and distribution of wealth is the establishment of an economic system which is viable enough to ensure, under all the progressive stages of economic development, two broad objectives viz: (a) the satisfaction of the basic needs of life for all the members of the society including those who may be incapacitated or handicapped in one way or the other and (b) a just reward of extra comfort and elegance to the talented members for their superior skill and enterprise through lawful means. When an undue advantage accrues to a class of people in the possession and ownership of the gifts of nature beyond their legitimate and equitable share in them, it reduces the rest of the people to destitution and helplessness, thus opening the door wide open for exploitation in the form of rent for the free gifts of nature and unfair wages.

5.0 Summary

Our discussions in this unit focused on the dignity of labour as recognized by Islam. You have seen, through some Qur'anic passages and the prophetic *Sunnah*, the importance which Islam attached to hard-work and seeking livelihood through lawful

means. Also discussed were the principles guiding business transaction. You learnt that all business transactions should be guided by the fear of Allah who will pay every trader and business man on the Day of Judgment according to what he did while on earth.

6.0 Tutor Marked Assignment

Using relevant Qur'anic passages and the *Sunnah* of the Prophet Muhammad, discuss the position of Islam on trading.

7.0 References / Further reading materials.

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MODULE II

Unit 1: Factors of Production under the Framework of Economics in Islam.

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Factors of production in the Islamic point of view
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References / Further Reading

1.0 Introduction

The uniqueness of the Islamic economic system revolves round the fact that it takes every aspect of human nature, component and status into consideration. This lesson unit will lead you to understand the peculiarity of conceptual framework of the factors of production in Islam.

2.0 Objectives

At the end of this lesson, you should be able to explain the features of the factors of production from the Islamic point of views. Its understanding will enable you recognize, compare and contrast the uniqueness of these features with other economic systems in practice. This will eventually lead you to realize why the Islamic framework on factors of production concerns itself with social justice and fair play among men.

3.0 Main Content

3.1 Factors of production in the Islamic point of view

It is interesting to note that Islamic economists have given different answers to the question: What are the factors of production? Some of these Islamic economists endorsed the traditional list: land, labour, capital and organization

as factors of production. Some Muslim economists have however reduced these four factors of production to three namely: elements of nature, good work and capital; subsuming labour and organization under one category. They are of the opinion that capital, as a factor of production, results from the operation of human labour on elements of nature. To them, nature is the chief source of production.

A postulate, which is essential for the analytical framework of Islamic economics, is that, capital, as a separate factor of production, does not exist on its own, but that it is a part of another factor of production, namely enterprise. This means in essence redefining the term “enterprise” in a broader way so as to include “capital” as a part thereof. This, it may be mentioned, is not difficult to reconcile. With the passage of time and technological changes in methods of production, the definitions of other factors of production have also gone through changes. Land for example, does not mean land in the limited sense any more, but for all practical purposes, land today is synonymous with the term “natural resources”. Similarly, the term “labour” has become wider to include not only the industrial worker in the limited sense but white-collared personnel, as well as the managerial personnel in any productive unit. Technology plays its role whenever there is a relationship between natural resources and human resources. The production resulting from a combination of natural and human resources is also determined by technology. It needs no proof or effect to establish that given the same inputs of natural and human resources the quality of the “enterprise” factor and the quality of the “technology” factors will lead to different outputs in two productivity units, or indeed in two different countries. In the text books of economics one finds that whenever there is a discussion on economic laws such as the law of diminishing marginal utility or the law of diminishing marginal returns, a qualification is mentioned that the quality of the commodities and the inputs respectively remain the same or unchanged. However, in practical life we find that except in a very primitive society things do not remain the same and the

qualities of commodities or inputs invariably change over a reasonable span of time. This in other words, means that in the present day, technology has become such an important factor that the quality of products and the quality of the natural resources as well as the quality of the human resources applied, always change with the passage of time, except perhaps in a very short run or at one point of time in a limited sense. The importance of technology thus has to be recognized as a factor of production and assuming that this factor remains constant laying down an assumption which is not relevant to the facts of practiced life.

Self Assessment Exercise:

What are the factors of production?

The postulate of combining capital with enterprise is conceptually not too difficult to reconcile. The definition of the term “interest” in the economic literature has already been broken down into two parts on a conceptual level. A distinction has been made between the return on the capital and interest. This distinction implies that conceptually speaking, interest and profit have some resemblance in that interest includes reward for risk, while profit constitutes a reward for uncertainty. This, in other words, means some resemblance between capital and enterprise. Moreover, the formation of large corporations and companies with a large number of shareholders – sometimes more than a million – and the institution of raising share capital of joint stock companies from the general public have tended to combine the functions of enterprise and capital in the same persons. Entrepreneurs therefore are not only the small number of promoters who conceive and initiate a particular project but also the large number of shareholders who join the sponsors of promoters and also become entrepreneurs. Significantly viewed, every economic system is bound to have its own model and guidelines for detailed operations; the Islamic economic system is not an exception. The ownership of means of

production and the extent to which the market mechanism or central authority is relied upon for decision making have been the chief criteria for distinguishing one economic system from the other. Islam's strategy in organizing its economic system within the factors of production variables rests on clearly specified goals, well-defined moral attitudes and specific laws, rules and regulations to be applied.

4.0 Conclusion

The conceptual framework of economics to suit the requirements of Islamic economics within the factors of production is well defined. A factor of production is an economic aspect of the Muslim's life, like other aspects of Islamic teachings which does not separate the material from the spiritual or secular from the theological. It is only a means to help the individual within the society. Production and profit are, in an Islamic economic system, not ends but means to ends. The moving force of current economic systems in general is profit, but in Islamic economic system it is human welfare. Interest in all its forms is prohibited by Islam. In regard to the natural resources Islam has warned men that certain items are devoid of utility value for being harmful to physical and moral wellbeing. At the same time, the development of economy, the sophistication of the factors of production, the growth of quantity and improvement of quality of all kinds of products are recognized as belonging to the domain of science and technology. Hence Islam only gives the green signal to and wholeheartedly welcomes, all advancement in science and technology which, however, is left to the initiative and enterprise of man, bearing in mind the moral aspects of the Islamic teachings. Islam ensures that wealth is always a fair return for labour. Apart from developmental changes, Islam prohibits any price or free changes on land for it is regarded as a free endowment of nature. As for Islam no gain is a gain unless it is morally unassailable.

4.0 Summary

5.0 In the lesson above you have been taken through some discussions on the factors of production both in the general sense of it and in the Islamic concept. In the general sense, capital, labour, land and entrepreneur are the four factors of production. However, some Muslim economists have reduced these four factors of production to three namely: elements of nature, good work and capital. Distinction was also drawn between profit and interest whereby the former is regarded to be lawful while the latter is condemned as totally unlawful in Islam.

6.0 Tutor Marked Assignment

Discuss the factors of production under the general economic view and the Islamic economic view.

7.0 References / Further reading materials.

1. Khurshid Ahmad (1976). *Studies in Islamic Economics*.
The Islamic Foundation. U.K.
2. Muhammad Nejatullah Siddiqi (1981). *Muslim Economic Thinking*.
The Islamic Foundation. U.K.
3. S.M. Yusuf (1977) *Economic Justice in Islam*.
Sh. Muhammad Ashraf. Lahore Pakistan.

Unit 2: Contracting Parties

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Definition of Contract

3.2 Conditions guiding parties to a contract

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References / Further Reading

1.0 Introduction

The main objective of this unit is to teach you the Islamic points of view on contracting parties to any lawful contractual obligation binding the parties together. Your better understanding of these views will go a long way to assist you to know the much needed expectations to be observed by either party to any lawful contract entered into.

2.0 Objectives

At the end of this lesson unit, you will be in a better position to understand what it takes to be competent to enter into a valid contract and the Islamic expectations on conditions to be met by each party to the contract.

3.0 Main Course

3.1 Definition of Contract:

Islam requires Muslims to fulfil and respect all Islamic contractual obligations towards others. The Qur'anic injunction to this effect as contained in Q.5:1,

which reads “fulfil all your obligations” is the fundamental principle which guarantees the sanctity of all contracts provided they are not prohibited by Islam, public order and morals whether private, public, civil or commercial.

In the *Shari'ah*, the term “contract” i.e. “concluded bargain” is an agreement between two parties, an undertaking to do something, a combination of an offer and acceptance. The making of a contract is to connect in a legal manner, the offer and the acceptance, the one with the other in a way which will be a clear evidence of their being mutually connected.

In the matter of lawful contractual obligations, Islam never permits that which destroys the *Shari'ah* principles and values. The *Shari'ah* insists that either party to any lawful contract should have a free consent to it. Thus, the basis of the *Shari'ah* provisions and its methodologies are firmly grounded on honesty, justice and good-will among the contracting parties for the well-being of the society in general. As a result of this, the concept of contract assumes very important dimensions in Islamic teachings.

A number of basic *Shari'ah* provisions go to the extent of clarifying the position of Islam that the contract should not be coercive, under undue influence fraudulent or possess any form of vindictive conditions. In other words, like in other contracts, the aspect of Islamic teachings on contractual obligations has its rules and conditions to be met and observed.

3.2 Conditions guiding parties to a contract

To be competent to enter unto a valid contract, the parties must fulfil certain conditions.

These conditions are:

- (i) Contractual capacity.

A general competence to engage in lawful contractual transaction requires two basic qualifications viz: (a) Maturity; and (b) Prudence. To this effect, every

person entering into a contract must have reached the age of maturity. On the basis of a Qur'anic verse, age of maturity is linked with a manifestation of *Rushd* i.e. prudence (Qur'an4:6).

All contracts entered into by a minor are null and void except where such contracts are purely to the advantages of the minor, of perfect understanding and are ratified by the guardian.

The Arabic legal term for prudence is *Rushd*. A *Rushd* is the person who shows protective safeguarding of his property and soundness in the ordering of his livelihood. It is not permissible for a child or insane to dispose of his own property and his doing so is considered legally invalid. Also suspended for a commercial dealing is the fool-headed person, meaning a spendthrift who is chronically careless with his money. A man with terminal sickness is also forbidden to discharge any form of contractual obligation. This means that for a man to qualify for a valid contractual arrangement, he must be physically mature; shows religious sincerity and be competent to handle his own property. For an insane person, his suspension ends when he regains his sanity, shows religious sincerity and displays competence in handling his property.

The implied ethical standards regulating the contractual obligation revolve on the objective of the *Shari'ah* provisions to ensure justice and fair play and to save the general public from hardship.

Self Assessment Exercise I:

Explain 'Maturity' and 'Prudence' as conditions for a valid legal contract in Islam.

- (ii) Another major condition required by the *Shari'ah* for the validity of any legal contract is the mutual consent of the contracting parties. Mutual agreement as the basis of a contract lies in an unambiguous offer and unequivocal acceptance from both the seller and the buyer. Ideally, offer and acceptance are expressed orally and must demonstrate a definite

intention to conclude the contract during the contractual session. Nevertheless, an offer and acceptance in writing among the contracting parties is perfectly acceptable in Islam. The focus of either party should be based on goodwill to remove displeasure or disagreement between the parties to any lawful contract. Whenever the contracting parties have concluded the basis for the contract, having all its factors, each fulfilling its conditions, the next action to follow is the transfer of ownership of the goods from the seller to the buyer. Any uncertainty in the things to be delivered or in the price to be paid will invalidate the transaction.

Self Assessment Exercise II:

Explain what you understand by ‘mutual consent of the contracting parties’ as a condition for valid contract in Islam.

4.0 Conclusion

The Islamic principles to be followed by the contracting parties significantly provided unambiguous conditions to be met by either party to the transaction. A legitimate contract according to the *Shari'ah* is made only when one party offers something to another for some consideration and such other party accepts the offer. The parties must agree with one another considering their respective rights and duties towards the conduct of the contract. Legally competent parties must make the offer and acceptance in a free manner.

The making of a contract is the connecting in a legal manner, the offer and acceptance among the contracting parties. The following conditions are required for the validity of contracts.

- (i) consent of the contracting parties;
- (ii) legal competence on the part of the parties;
- (iii) lawfulness of the subject matter; and

- (iv) consideration in a contract of mutual obligation i.e. exchange of the benefit from one of the contracting party to the other.

The basis of contractual obligations and its methodology among the contracting parties under the Islamic concepts are firmly placed on equity, truth, honesty, justice, righteousness and goodwill with one another.

5.0 Summary

Our discussion in this unit had been focused on contract and the conditions that make it valid in line with the *Shari'ah* provision. We learnt that by 'contract' we meant 'an agreement between two parties, an undertaking to do something, a combination of an offer and acceptance'. We also learnt in the unit that for a contract to be islamically valid, four major conditions must be met otherwise whatever agreement reached on any such contract becomes invalid.

6.0 Tutor Marked Assignment

Islam has placed down some conditions that could make any contractual arrangement valid; explain these conditions giving reasons why they are necessary.

7.0 References/Reading Materials

1. Fazlul Karim (1939). *Al-Hadis Vol. II*.
The Book House. Lahore.
2. Rayner, S.E. (1991). *The Theory of Contracts in Islamic Law*.
Graham and Trotman. London.
3. al-Misri Ahmad Ibn Naqib (1991). *The Reliance of the Traveller: A Classical Manual of Islamic Sacred Law*.
Modern Printing Press, Dubai.

Unit 3: Objects of Sale

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Conditions guiding the object of sale
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References / Further Reading

1.0 Introduction

The main purpose of this unit is to acquaint you with the object of sales within the Islamic principles governing the subject matter. Better understanding of these principles will keep you in touch of the objects of sales recommended in Islam and the reasons why certain items are forbidden as object of sales in Islam.

2.0 Objectives

At the end of the course unit, you should be in a better position to understand the approved and disapproved object of sales in Islam. The reasons why the approval and non-approval of any given object of sales are forbidden in Islam will be very clear to you.

3.0 Main Content

3.1 Conditions guiding the object of sale

The various conditions that must be fulfilled in the sales of commodity if the transaction is to be lawful and contract valid, are brought under a searchlight in Islam. Questions as to why a condition must be fulfilled are raised and answers are sought in the Qur'an and the *Sunnah* of the holy Prophet Muhammad

(S.A.W.) as well as in the opinions of righteous jurists and scholars. Islamic jurists have enumerated the conditions which an object of sale must fulfil before sale can be considered lawful and contract valid. Though the conditions as listed by them vary in number and detail, they are, generally speaking, in similar terms. Some of them are rather more comprehensive than the others. Invariably, most of the Islamic schools of thought on the subject matter agree that the object of sale must be:

- i. pure – by Islamic standards;
- ii. legally beneficial;
- iii. owned by the seller;
- iv. fit to be transferred from the seller to the buyer;
- v. specified, fixed and certain so as to avoid dispute; and
- vi. capable of being in the possession of the buyer as the transaction should not be temporary.

(i) Objects of Sale must be pure (*Tāhir/Halāl*).

For a sale to be valid, the object sold or bought must be ritually pure and lawful in itself. Thus, those things declared unlawful to take or use must not be sold or bought by a Muslim. In this regard, jurists mention the various kinds of food forbidden to a Muslim as the objects of sale or purchase viz;

(a) Carrion (b) blood (c) flesh of swine, and (d) animals killed for idols. The prohibition of such goods arises from the injunctions in the holy Qur'an and the *Sunnah* of the holy Prophet Muhammad (S.A.W.). These include the following:

Oh you who believe! Eat of good things that We have provided for you, and be grateful to Allah; If it is Him you worship. He had only forbidden you dead meat and blood and the flesh of swine and that on which any other name had been invoked besides that of Allah. But, if one is forced by necessity without willful

disobedience or transgressing due limits, then is he guiltless. For Allah is Oft-forgiving Most Merciful. (Q.2:172-173).

These verses do not give reasons why the afore-stated foods are forbidden; however, in another Qur'anic verse, clear indications are given thus:

Say; I find not in the message received by me by inspiration any (meat) forbidden to be eaten by one who wishes to eat it unless it be dead meat, or blood poured forth or the flesh of swine for it is an abomination, or what is impious (meat) on which a name has been invoked other than of Allah. But (even so) if a person is forced by necessity without willful disobedience, nor transgressing due to limits, thy Lord is Oft-Forgiving, Most Merciful. (Q. 6:145).

With reference to the purity and lawfulness of the objects of sale, the holy Prophet Muhammad (SAW) is of the view that

Verily Allah had prohibited the selling and buying of intoxicant, carrion pork and idols.

Then he was asked:

Oh Messenger of Allah of what is your view about fats of dead animals? Verily boats are smeared there with, skins are oiled therewith and people prepare light therewith. He answered, what is forbidden is (the eating of its meat) eating it.

Thus, it is lawful to use dead animals' fats other than for food but are not to be sold or bought as object of sale. The Prophet made it clear that the way to purify the skin of a dead animal is to tan it. He is reported to have said. "The tanning of the skin is its slaughtering, meaning that just as slaughtering makes the eating of the flesh of a sheep or cow lawful, so does tanning make the use of the skin lawful. He also said: "tanning removes its impurity and if the skin is tanned, it is purified".

One may raise the question: why are these items forbidden as objects of sale or purchase? The answer to this question could not be far fetched. For example carrion, pork and blood should not be consumed for health and safety reasons. If these objects are injurious to the health of the individual and therefore a

Muslim must not consume them. Morality demands that they must not be sold to others, selling them might mean spreading mischief on earth, which is forbidden by Islam.

Under the Islamic *Shari'ah*, wine and other intoxicants are not only unlawful in themselves; even their manufacture, sale, purchase and possessions are declared unlawful. The drink which is prohibited in the holy Qur'an is described as *Khamr*. It gives the idea of intoxication and has therefore been applied to all intoxicating drinks and drugs. (Q.5:93-94).

The holy Prophet Muhammad (SAW) did not stop at prohibiting the drinking of alcohol whether much or little but also forbade any trading in it. It is not permissible of a Muslim to import or export alcoholic beverages or to deal in intoxicants. Intoxicating drinks do much harm to man's health and welfare. Alcoholism is a main factor in the causation of disease, and in most cases, alcoholics are bad patients. There is a clear testimony as to the close relationship between excessive drinking and breaching of the moral laws and laws of the state. These Islamic rules and regulations help to promote in return, man's well-being physically and spiritually.

Unlike the aforementioned prohibitions, animals offered to idols are forbidden not for health but for spiritual and moral reasons. The invocation of a name other than that of Allah at the time of slaughtering an animal is considered an act of disobedience to Allah. To act contrary to the above prohibitions, is to commit what the jurists regarded as capital sin. Allah does not forgive this sin except there is repentance. Eating of animals offered to idols shows weak faith. To sacrifice animals to idols invariably means seeking closeness and bringing glory to other deities besides Allah, the Lord. Its prohibition is to safeguard the belief in Allah, to purify His worship and to fight *Shirk* in whatever form it may be expressed. Maintaining a good relationship with one's Creator and Sustainer is of utmost importance and to compromise such relationship is to destroy the basis of righteousness.

Self Assessment Exercise I:

What is *Tāhir/Halāl* under contract validity in Islam?

(ii) Objects of sale must be beneficial (*Qudrat ala t-Taslīm*)

For a trade transaction to be lawful the goods sold or bought must be necessary and beneficial. So scorpions, rats, snakes, worms and insects under the earth are unlawful as objects of sale. To sell insects, snakes and rats, might not be permissible except if there is a benefit derivable from them (such as for scientific research purposes).

(iii) The Object of sale must be the property of the seller

It is mandatory, that the seller must be the rightful owner of the object of sale. A person may not transfer the ownership of an object of sale of which he is not himself the owner to another person without authorization by the lawful owner or by virtue of delegated authority conferred upon him by the owner. However under certain circumstances, a rightful owner of a commodity may be interdicted and prevented from exercising his right to sell it. Such circumstances include:

- (i) lack of freedom; (ii) minority (iii) prodigality and (iv) lunacy. In other words, someone who is not free cannot transact a business without the permission of his master. No transaction by a minor or insane is valid. In the case of a blind man, no transaction is valid except with the consent of his representative. With regards to the age of minority, the presence or absence of sexual maturity determines its legal presumptions.

Self Assessment Exercise II:

Expatiate on the validity or otherwise of the people under the following conditions: (i) lack of freedom; (ii) minority (iii) prodigality and (iv) lunacy

(iv) The Object of sale must be such as can be delivered to the purchaser

The validity or otherwise of a trade transaction also depends on the deliverability of the object of sale. The *Shari'ah* provisions demand that the object of sale should be something that could be realized legally and physically. Anything that is not possible to be released to the buyer is not valid, e.g. to sell fish in the pond or sea. The unborn baby in womb of an animal falls in the same category.

(v) Precise determination of the Object of sale

Another significant condition to be met in the determination of object of sale is that the goods and the price must be known. The essence of the object of sale, the quantity and its value must be precisely determined. Similarly where an object is an obligation of performance, it must be precisely determined as to its nature and its value. In the case of benefits derived from property, acts, service or property not present at the time of contracting the object should be feasible and defined or capable of definition and lawful. In a situation where parts of the object of sale or all of them are unknown, the trade contract is not valid. Mere sighting of the sale's object is enough as knowledge about it. For things that are substantial, irrespective of whether its quantity is known or not, its quantity and description should be known to the two contracting parties. The price description, quantity and time due must also be known and certain so as to avoid dispute.

(vi) Receivability of the Object of sale

The last condition, which the object of sale must fulfil if the contract is to be valid, is that the goods must be readily receivable once the exchanged benefit has been given.

Taking possession means:

1. for transportable things, such as wheat or barley that they be transported by the buyer or his representative; that is when he removes the merchandise to a place not belonging to the seller such as the street or the buyer's house;
2. for things dealt with by hand such as a garment or book, that they be taken in hand;
3. and for other things such as a house, or land, that they be given over, that is the seller gives the buyer control over them, such as by handing the key to him or moving other belongings off the property.

As for the disposal of goods by selling them before acquiring them, this is indeed not permissible; presumably it might be destroyed at the hand of the first seller. It would then be a deceptive transaction. Deceptive transaction is not valid whether of landed property or moveable ones, whether of known quantity or random setting i.e. chance bargain.

The underlying concern of Islam, incorporated into the objects of sale as highlighted above generally denounces in strong terms all sorts of deceitful dealings and illegal profits or injustice to either of the contracting parties. Invariably, where both parties to a lawful bargain choose to comply with these *Shari'ah* ethical principles, mutual trust and good-will for each other will prevail. Peaceful coexistence will also prevail in such a community in which these ethical virtues are practiced.

4.0 Conclusion

The underlying rules set by the *Shari'ah* to be met by contracting parties under the objects of sale can not be taken for granted for here lays the lawfulness or otherwise of any contract in Islam. Judging from the various submissions stated above, it is clear that the object of sale must be pure, beneficial, owned by the seller, capable of changing hand, fixed and certain and capable of being possessed by the buyer. The major reasons revolve round the avoidance of deception and foul play in trade transaction. Islam forbids any kind of transaction under the approved objects of sale which could lead to a quarrel or litigation due to uncertainty or which involves an unspecified quantity to be exchanged or delivered.

5.0 Summary

As there are conditions or principles guiding contract in relation to the parties involved in the contract as earlier discussed so also are those conditions in relation to the object of sale. The latter had been our focus in this unit. Object of sale must be pure (*Tāhir/Halāl*); must be beneficial (*Qudrat ala t-Taslīm*); must be the property of the seller; must be such as can be delivered to the purchaser; must be such as can be delivered to the purchaser; must be precisely determinable; and must be readily receivable.

6.0 Tutor Marked Assignment

Enumerate and explain the conditions that could determine the validity of object of sale in Islam.

7.0 References/Further reading materials.

1. Mannan, M.A. (1980) *Islamic Economic Theory and Practice*.
Idarat Abadiyyat India.
2. Khurshid Ahmad (1976) *Studies in Islamic Economic*.
Islamic Foundation. U.K.
3. Sayyid Sabiq (1990) *Fiqh s–Sunnah*.
Dar al-Fathil-Islam al-Arabiy. Cairo.

Unit 4: Ethics of Commercial Transactions.

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Definition of ethics
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References / Further Reading

1.0 Introduction

The major concern of this unit is to teach you for better understanding of the concern of Islam on the ethics of commercial transactions among the contracting parties. A distinction is always made in Islam between what is ethically obligatory and what is likewise unethically desirable among the contracting parties to legal economic transactions. Recognition of these becomes necessary for you as it makes the difference between the concepts of trade transactions and other economic ideologies among men.

2.0 Objectives

At the end of this unit, you should be conversant with the fact that ethics of commercial transactions in Islam enjoins the ethical standards which the contracting parties to any lawful commercial transactions or bargains should religiously observe. Its recognition and observance will enable the two contracting parties enjoy the blessings of Allah, mutual cooperation and well-being of either party to the bargain.

Main Content

3.1 Definition of ethics

The term 'ethics' concerns itself with what is ideally right or wrong, from human point of view. Ethics is defined as the "Science of morals"; revolving round what is concerned with human character and conducts. Ethics of commercial transaction in Islam suggests the ethical standards by which the two parties (*al-Bā'ī* and *al-Mushtarī* i.e. the seller and the buyer) to any lawful commercial transactions should observe during and after the transaction. Every Muslim is encouraged to engage in any commercial transaction as long as there is no deceit, hoarding, cut-throat competition and usury, which are all characteristics of the contemporary commercial transactions.

The distinctive nature of the Islamic ethics of commercial transaction rests primarily on its conception of man in relation to Allah, his own self and the society at large. The Islamic rationalism is founded on the ideological beliefs in the oneness of Allah, and in the oneness of Religion and Book of guidance (i.e. the holy Qur'an). In accordance with this belief, human life is conceived as one whole oriented towards one ultimate goal. This goal has many expressions in the Islamic faith and literatures, such as serving Allah", "entering the paradise", "worshipping Allah", "seeking salvation in order to escape Hell", "passing the trial of the Day of Judgement" among others. In fact all these expressions may be said to be that of "obtaining the covenant of Allah".

Observing the ethical orders of the *Shari'ah* provisions in commercial transactions is no doubt indispensable for the attainment of fair play and justice among the contracting parties in an organized Islamic society; but respect for and compliance with the law is primarily a matter of psychology. The same is the cause with democracy, which is more a matter of spirit than that of an external framework in man.

Islam denounces in strong terms all sorts of deceitful dealings and illegal profits in commercial transactions. A justified commercial trade transactions is therefore the one in which the parties concerned did not defraud, cheat or disobey Allah in the process of buying and selling. The fundamental principles of commercial transactions in line with Qur'an, Chapter 11, Verses 85-86 is:

- i. to give just measure and weight;
- ii. not to withhold what is due to others;
- iii. not to commit evil on the earth with the intent of doing mischief, and;
- iv. to be contented with the profit that is left after the other party had been paid his due.

Invariably, the ever re-occurring regulations on commercial transactions in Islam such as the above, should be seen as ethical/moral obligations which amount to command from Allah for the success of individual (Q. 6:152), (Q. 5:9), and (Q. 17:35).

Success is defined in Islam under the ethics of commercial transactions in relation to the "consent of Allah" and not in those of the "fraudulent accumulation of wealth". Virtue, righteousness and the fulfillment of the servant-hood to Allah are the keys to His consent. Virtue and righteousness can be achieved through good actions and purification of human behaviour from evil and vice while carrying out commercial transactions among the contracting parties. The concept of wealth is unique in Islam. Wealth is regarded as a bounty from Allah; hence it is not regarded as evil. Poverty is in some instances associated with disbelief, while riches accumulated through lawful transactions are considered as gifts from Allah. Since riches through righteous commercial transactions are a bounty from Allah, they must be used for the benefit and satisfaction of human wants.

Self Assessment Exercise:

What is the yardstick for measuring success in business under Islamic moral teachings?

According to Islamic teachings, if a man really wants to serve Allah, the utilization of the bounties of Allah, i.e. the natural and human resources made available to him, is not only a privilege but also a duty and obligation prescribed by Allah. Therefore, material progress and perfection are in themselves ethical values in Islam. Abstinence and withdrawal from enjoyment and satisfaction from material life is indirect opposition to Islamic doctrines. Exertion in economic production as a moral obligation is frequently stressed in the holy Qur'an. In Qur'an, Chapter 67:15, Allah says:

It is He who has made the earth manageable for you, so traverse ye through its tracts and enjoy of the sustenance which He furnishes.

Generally, the economic activity including commercial transactions is termed "seeking the bounty of Allah". The concern for the satisfaction of the basic needs of individual and for maintaining the standard of justice and equity while seeking the bounty of Allah in the commercial transactions is however grounded in the ethical conscience of man. The motive force for economic development within commercial transactions must therefore emerge from the application of the ethical principle of the Islamic teachings as a matter of religious belief, conviction and practice. The insatiable urge for profits, the propensity to take risk and the will to dominate the other contracting party which lay at the root of the economic revolution of the West, are conspicuous by their absence in Islamic productivity.

Ethically oriented individual action for the attainment of the ends of economic system in Islam is expected to ensure economic justice and the achievement of socially desired results.

4.0 Conclusion

Engaging oneself in any lawful commercial transactions is regarded as longing for the bounties of Allah. Despite this approval Islam insists on Muslims to observe certain ethical orders.

Ethical training to changing one's preferences and choice for lawful transactions inculcates in Muslim (either as a seller or buyer), a strong ethical sense that keeps one to be just and fair to his contracting party. To establish justice and fair play in commercial transactions among the contracting parties, great importance is thus attached to reforming the inner man through faith in Islam.

5.0 Summary

The comprehensive teachings of Islam cover the aspects of ethics of commercial transactions. Earning gain or longing through any lawful commercial transaction is allowed in Islam. As for Islam, no gain is a gain in any lawful commercial transaction unless it is ethically unassailable.

Islam regards profit or gain as a token of labor, there can be no profit unless there is the bargain lawfully betokened lawfully. If the ethical principles of Islam are observed strictly as Islam enjoins in all lawful commercial transactions, all the ramifications of the vicious commercial process and manipulation whereby the rich grew richer and the poor poorer are eliminated at source. The immorality in commercial transaction, which lies in the adoption of any unlawful method, which reduces the whole bargain to a legalized commercial bargain, is unethical and condemned by Islam.

6.0 Tutor Marked Assignment

Enumerate and discuss the fundamental principles of commercial transactions as embedded in Qur'an, Chapter 11, Verses 85-86.

7.0 Reference/Further reading materials.

- i. S.M. Yusuf (1977). *Economic Justice in Islam*.
S.H. Muhammad Ashraf, Kashmiri Lahore, Pakistan.
- ii. Muhammad Nejatullah Siddiqi (1981). *Muslim Economics Thinking – A Survey of Contemporary Literature*.
The Islamic Foundation, Leicester, U.K.
- iii. Khurshid Ahmed (1981). *Studies in Islamic Economics*. International
Centre for Research in Islamic Economics.
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Unit 5: Honest dealings among the Contracting parties

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Honesty in Business transaction
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References / Further Reading

1.0 Introduction

The major aim of this unit is to teach you how and why Islam lays emphasis on honesty among the contracting parties. Honesty introduces balance life and makes one thing agrees with another in trade and commercial transactions. It produces unity and harmony among the contracting parties at every stage of their bargaining. It is this ethical concept which is responsible for beauty and proportion in every form of thought and action of either party.

2.0 Objectives

At the end of this lesson you should be able to explain in clear terms the essence of the concept of honesty among the contracting parties from the Islamic points of view. This will enable you have a better understanding of the subject matter within the Islamic ethical principles.

3.0 Main Content

3.1 Honesty in Business transaction

Islam recognizes the fact that the tendency to evil can manifest itself in any circumstance, not the least when buying and selling. For this reason, it puts in place regulations that discourage all forms of dishonest practices among the

contracting parties. On honest dealing (buying and selling) the holy Qur'an, Chapter 8, verse 1 part thereof reads:

.... so fear Allah and keep straight the relations between yourselves....

When a sale is on, the Prophet enjoins the seller to say:

“There is no cheating”. This is in view of the enormous benefits, which await the honest trader. In addition to the worldly prosperity, there is a great reward on the Day of Judgement for the honest traders.

Furthermore, it is pertinent to note that in Islam avoidance of anything that could hurt the other contracting party is a major condition for the validity of commercial transaction. This submission is in line with a statement from the holy Prophet Muhammad (SAW) as contained in *Hadith Qudsi*, which reads thus:

I have made the doing of injustice forbidden to Myself and I have forbidden you doing of injustice to others.

According to the holy Prophet Muhammad (SAW), the secret of success in business is honesty and fair dealings with customers. With these principles in view, the Prophet showed the best way to become a successful businessman. His personal trade activities and those ones approved for his companions are ethical oriented as they are fundamentally based on the divine ethical concepts of Islam.

The fairness and straight-forwardness with which the Prophet did his business with other people have thus become an eternal example for all lawful commercial/trade transactions to follow. He has purified commercial transactions from all kinds of malpractice involving any of the elements of fraud, interest, gambling, uncertainty, doubt and black marketing. He also standardized weights and measures and forbade people from using other less

reliable standards of weighing and measuring, all in conformity with the Islamic expectations. All these ethical principles and expectations revolve around good intention, just dealings, goodness to others, fear and belief in All - Powerful and All – Knowing Allah and on a conception of an after-life when all activities of man including every aspect of commercial transactions will be judged by Allah.

Every pursuit and activity, which has the tendency to disturb peace throughout the contractual period, is severely condemned. The holy Qur'an chapter 5 verse 9 says:

Do not mischief on the earth after it hath been set in order ...

Likewise in Qur'an chapter 17 verse 35, Allah says: "...and refrain from evil and mischief on the earth". Thus all possible factors, which tend to cause iniquity and disorder among the contracting parties in any lawful contract, are strongly condemned by Islam.

The *Shari'ah* rules in commercial trade transactions classified the honest trader with the faithful on account of his being steadfast to truth and placed him with the martyrs on account of his fighting with heavy odds in treading the path of virtue and honesty in his contractual obligations.

Honesty and goodwill may be acquired in the following ways:

- (i) the seller must not practice fraud or deceit in the article sold to the buyer;
- (ii) delay in payment of goods may be granted to customers who are unable to pay cash. In the case of extreme inability for payment, remission may be made;
- (iii) excessive swearing must not be resorted to because it diminishes blessings;
- (iv) the tradesmen should be strict and impartial with regards to weights and measures.

Self Assessment Exercise

Discuss some ways through which honesty and goodwill can be acquired in business transaction.

To combat cheating and exploitation, Islam demands honesty in commercial transactions. It warns against cheating, encourages decent work and forbids usury. As a result of this, Islam instructs the merchant to observe moderation in his drive for profit and urges him to acquire only the legitimate earnings through honest dealings with others. Islam advocates absolute honesty in commercial transactions to the extent that a trader is enjoined not to falsely praise his merchandise but reveal to his contracting party any defects in it. In other words, it is compulsory to declare to the customer any faulty or defect in the goods being sold. To conceal the defect is to resort to dishonesty and it is forbidden. Refrain from oaths in a bid to promote sales is also one of the Islamic trade ethics. Customers should not be told that goods are being sold to them at cost price when there is a profit margin. To do so is forbidden. In case of conflict between wealth and virtue, one has to be contented with whatever can be lawfully earned in one's dealings with his contracting partner even though it may be little. This moral height cannot be attained unless there are honest dealings with customers.

4.0 Conclusion

The foregoing reaffirms the Islamic principle of honesty in contractual dealings among the contracting parties. The ethical rules of honesty abhor all forms of dishonesty in commercial/trade activities that portray dishonest and questionable practices, which entails evil consequences. In other words, lawful trade as enjoined in Islam should be based on an exchange of benefits as profit devoid of any dishonesty among the contracting parties. The focus on either party according to the Islamic principles should be based on honesty and goodwill, to remove displeasure or disagreement between the parties in commercial transactions. Significantly, the basis of the *Shari'ah* provisions are

firmly grounded on honesty, justice and goodwill among the contracting parties for the well-being of the society in general. As a result of this, the aspects of honesty within the concept of the commercial transactions thus assume a very important dimension in Islamic teachings.

5.0 Summary

This unit discussed honesty as the backbone of success in business. Qur'anic injunctions and prophetic traditions were employed to express the Islamic preference for honesty as an instrument needed to make success in business transaction rather than some unethical sharp practices such as fraud, dishonesty, hoarding, false oaths and so on which had characterized the modern day business atmosphere.

6.0 Tutor Marked Assignment

Dishonesty is the bane of business in our contemporary society. Discuss

7.0 References/Further reading materials.

1. Anwar Ahmad Qadri (1981). *Islamic Jurisprudence in the Modern World*. Sh. Muhammad Ashrat. Lahore.
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MODULE III

Unit 1: Islamic attitudes to Hoarding.

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Hoarding and its meaning
 - 3.2 Hoarding and price control
 - 3.3 The effect of hoarding in the Society
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References / Further Reading

1.0 Introduction

This unit introduces you to the Islamic points of view on hoarding. Hoarding of any object of sale for the consumption of others, for an increase in profit or for any other benefit at the expense of others in need of such a commodity is regarded as an unlawful act. The reason why Islam forbids such a practice deserves your better understanding. This will enable you to be aware of the evil consequences which the act of hoarding could cause others in need, and appreciate the concerns of Islam against the practice among men.

2.0 Objectives

At the end of this lesson, you will be in better position to explain to people why Islam forbids hoarding of any object of sale. Islamic stands on this act will enable you see reasons why commodities for the benefit of others should not be hoarded.

3.0 Main Course

3.1 Hoarding and its meaning

The Islamic legal terminology for hoarding is *Ihtikār*. Hoarding is a practice involving purchase of foodstuffs and the withholding of the sale until their prices soar high. In other words *Ihtikār* means storing up of food grains for a higher price in times of need and scarcity. This is absolutely unlawful or at least abominable (*Makrūh*), as such monopoly is likely to prove detrimental. Grains and foodstuffs are connected with the right of every one. The withholding of the items from sale is an infringement on the general rights of mankind and an occasion to cause scarcity of necessary food items.

In many of the holy Prophet Muhammad's (SAW) sayings, he prohibited this practice. For example the Prophet was reported to have said: "One who hoards is a sinner". Allah grants the producer of commodities sustenance and the monopolist is cursed. Al-^cAla ibn Abdur-Rahman (R.A.) reported from his father on the authority of Abu-Hurayrah that a man came to the Prophet (S.A.W.) and said to him:

Oh Messenger of Allah! Fix a rate for us (i.e. control our prices). The Prophet (S.A.W.) said Oh! no, verily Allah is One Who controls prices; curtails, gives amply and providing sustenance and certainty I hope that I should meet my Lord, while there will be none amongst you who will hold me responsible either for blood or for property.

Self Assessment Exercise I:

Explain what you understand by hoarding as an economic act

3.2 Hoarding and price control

Of all the Imams, al-Shafi'i is the farthest from imposing and determining commutation of prices; yet he holds it obligatory for a person whose food is

urgently needed by another to give it to him for a fair price. His followers disagree as to whether price control is permissible when there is a public need; they have two views on the subject. The Hanafis, hold that the ruler or the authority must not resort to price control, unless injury to the general public would otherwise result. If brought before the *Qadi* – (Judge), the profiteer, through hoarding, is ordered to sell what he has in excess of the essential provision for himself and his family, taking into account the regular price of the goods concerned; and is forbidden to hoard. Otherwise, to compel people to sell without justification or to deprive people of their legitimate means of livelihood is injustice and therefore unlawful. Ordinarily, the control of prices without the agreement by the sellers is not allowed as it may lead to black marketing.

It appears therefore, that there is a pronouncement of great commercial value in not fixing the price of anything. If prices were fixed, there will be no enterprise for commerce and trade; and business of the community will be at a standstill causing a great loss in the merchantile community. It is necessary to make a distinction between one who is obliged to sell and one who is not so obliged. If a person needs food produced by another person, then this person is obliged to produce it for a fair price rather than hoard it.

3.3 The effect of hoarding in the Society

Hoarding is a vice whose negative effect on the society is enormous. It is a means through which people amass wealth fraudulently. Hoarding creates artificial scarcity and thereby makes life difficult for the masses. It breaks the spirit of brotherhood which Islam has come to advocate for. It creates enmity between the rich and the poor because the rich could easily get the hoarded commodities with their money while the poor could not. Hoarding threatens the security situation of the nation as it may lead to violence and disorderliness while people struggle to survive. It also breeds promiscuity as less-privilege people result to immorality to get what they want. It spreads hunger in the midst

of plenty resources which God has bestowed on man and this may lead to mischief making on the land.

Self Assessment Exercise II:

List out some the effects you think hoarding can have on the people of any society

4.0 Conclusion

The foregoing condemnation of any act on hoarding of commodity is one of the checks and balances Islam puts in place for the wellbeing of mankind. In reality, Islam does not confine its tenets only to the spiritual realm but comes to grip with the reality that some people tend towards taking advantage of others in the matter of hoarding the essential commodities. Apart from bringing unforetold hardship upon the consumers, hoarding also provides undue profit margins to the economically powerful people at the expense of the other unsuspecting people. Islam insists that neither the buyer nor the sellers must be unjustly treated; and that the free-flow of essential commodities should be placed within the reach of the consumers without any hardship.

5.0 Summary

We have discussed in this unit the meaning and practice of hoarding. We equally considered the hoarding as it relates to price control in Islam. More so, we have also been able to highlight some of the effects of hoarding on the people in the society. The bottom line is that Islam as a religion which advocates for the general well-being of the people, has unequivocally condemned hoarding as an evil act whose effect on the society is highly negative.

6.0 Tutor Marked Assignment

- (i) Explain what is meant by hoarding
- (ii) What are the implications of hoarding in the society?

6.0 References/Further reading materials.

1. Al-Misri, Ahmad ibn Naqib. (1991). *The Relevance of the Traveller: A Classical Manual of Islamic Sacred Law.*
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Unit 2: Islamic Attitudes to Profiteering

1.0 Introduction

1.0 Objectives

2.0 Main Content

2.1 Profit-making venture and Profiteering

3.2 The prohibited form of trade in Islam

3.0 Conclusion

4.0 Summary

5.0 Tutor Marked Assignment

6.0 References / Further Reading

1.0 Introduction

You will know from this unit, within the *Shari'ah* provisions, the Islamic teachings on profiteering. Islam is not against profit making from any lawful commercial engagement, but forbids profiteering in all its forms. This is as a result of the stand of Islam against all forms of deceitful dealings including illegal profit in trade transactions.

2.0 Objectives

The primary objective of this unit is to bring to bear what revolves around profiteering as an act forbidden by Islam. From the various submissions you are going to come across, you will be in a better position to see reasons why this economic act is regarded as an unlawful practice in Islam.

3.0 Main Content

3.1 Profit-making venture and Profiteering

Profiteering is defined as an act of making a lot of money in an unfair way. It is a popular practice among traders in various items in our society. This practice

has caused great havoc to socio-economic life of people especially the masses who are always at the receiving end.

Islam denounces in strong terms all sorts of illegal profits in trade activities. In view of this, Islam instructs Muslims to observe moderation in their drive for profit. All factors that tend towards profiteering among the contracting parties are strongly condemned as these eventually lead to injustice and disharmony in the society. Since Islam places emphasis on moral values, Islamic State cannot be a passive observer of the ethical scene in the society. It is the responsibility of the Islamic state to look after the spiritual health of its people; hence, the need for the state to take practical measures as the need arises to curb all forms of profiteering and black-marketing. In other words, the state is to play a positive role in guiding and regulating the economy to ensure that the objectives of the *Shari'ah* are fulfilled. An important measure would therefore be to contain the self interest of the individual within moral restraints so as to prevent the individual from exploiting the society.

Self Assessment Exercise I:

Differentiate between making profit and profiteering in a business.

3.2 The prohibited form of trade in Islam:

Some forms of trade are prohibited in Islam. They are the types of trading activities which Muslims are not expected to engage in. They include the following:

- (i) *Bay'un Najash*: This is a kind of transaction where middle-men play prominent role in a sale contract by inflating the price so as to get their share after the sale. This practice is condemned by the Prophet in a hadith narrated by Abdullah bn Umar that the Messenger of Allah forbids bidding against each other in order to raise the price.

- (ii) *Bay'atayn fil Bay'a*: This means making two transactions combined in one. This is done by a seller who fixes double prices on a commodity to be sold; the price fixed on an item on cash-and-carry basis is different from the one fixed on same item if the payment is to be delayed.
- (iii) *Bay'un gharar*: This means deceptive sale or the sale based on uncertainties. It is a type of transaction the detail or real picture of which is made hidden to one of the contracting parties who may be unsatisfied with the contract if such detail is made known. Example of this is trading on yet to be borne animal or yet to be hunted game or fishes still in the water.

Other terms employed by the prophet to describe some unlawful transactions include: *muhāqalah*, *muhāarah*, *mulāmasah*, *manābadha* and *munābanah* among others.

In an Islamic state a special department is *Hisbā* which can be equated to a quality assurance agency. *Hisbā* came into existence with a hierarchy of state officers under the leadership of a *Muhtasib* who was responsible for the maintenance of public morality and economic ethics. Protection of market was one of his responsibilities. He was to check not only for bad workmanship or faulty measures or discrepancy in quality but also to see that there were no arbitrary exploitations of the market by resorting to profiteering and hoarding. The *Muhtasib* wielded enormous powers to reprimand and penalize deviant behaviour. This clearly spells out the role of state, which is two fold:

Firstly, enabling and encouraging those who meet these essential needs of the society to voluntarily provide those services and to serve the community as well as make a reasonable profit for themselves; and secondly, if such needs are not being met voluntarily or through encouragement, to use enough force to see that these requirements of the society are met without an element of profiteering or any forms of commercial exploitations. The consumers as well as the producers of goods should have a fair deal and no one should get an

opportunity to exert remuneration greater than that due. The concern of the *Shari'ah* principles, which request that seller and buyer should have an attitude of beneficence – *Ihsān* to one another and respect each other, is not without a purpose. If these attitudes including profiteering are controlled to this extent, harm or injustice can hardly be done to one another. The Islamic state is further enjoined to encourage only those legitimate trade activities, which are in consonance with social good. It follows that Islam condemns monopoly of resources by a few and the stress is always on socially beneficial spending only. Profit accruable at the expense of the others stands condemned by Islam. In view of this, the state officials are to set in motion, state organs to arrest such an ugly economic situation to ensure free flow of commodities in the interest of the general welfare of the public. Profit made by the profiteers, rather than bringing them lasting advantage economically, becomes a handicap and arrests the moral and spiritual development of individual and the generality of the people on the long run.

Self Assessment Exercise II:

Explain the following forms of business transactions and the view of Islam on them: *Bay'un Najash*, *Bay'atayn fil Bay'a*, *Bay'un gharar*.

4.0 Conclusion

The real objective of an Islamic economy, including the aspect of profit making, is the establishment of a just social order among men. The Islamic vision on profit making is with a view to see that justice is done to all participants in the economic activity, in fact to all members of the society who are protected against exploitation. It follows that Islam frowns at profiteering and considers profit a test and not a token of virtuous excellence and privileged nobility or a means of exploitation.

5.0 Summary

Our attention in this unit has been focused on some unlawful ways through which people make profit and which in the long run affect the society adversely. We made distinction between making profit and profiteering in business. To make profit is to make gains in lawful way while profiteering is to make gains through exploitations. *Bay'un Najash, Bay'atayn fil Bay'a, Bay'un gharar* are some forms of transactions which are considered unlawful in Islam. It is believed that if our business people should respect the Islamic principles on trade then the society will be peaceful.

6.0 Tutor Marked Assignment

7.0 References/Reading materials

1. As – Sayyid Sabiq (1990) *Fiqhus – Sunnah.*
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2. Anwar Ahmad Qadri (1981) *Islamic Jurisprudence in the Modern World.*
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Unit 3: Islamic attitude to Gambling

- 1.0** Introduction
- 2.0** Objectives
- 3.0** Main Content
 - 3.1 Islam and gambling:
 - 3.2 Why is gambling prohibited?
- 4.0** Conclusion
- 5.0** Summary
- 6.0** Tutor Marked Assignment
- 7.0** References / Further Reading

1.0 Introduction

The main concern on this unit is to teach you the Islamic points of view on Gambling. Gambling is one of the forbidden acts in Islam. The reasons for this act will feature prominently in this lesson. You should take note that in Islam, fulfillment of contractual obligations takes its starting point from the *Shari'ah* provisions, which approves the basic principles, moral and fundamental of the Islamic public order for the guidance of the society. In principle therefore, any attempt by either party to any lawful contract to circumvent the *Shari'ah* principles of the mandatory rules of piety, absolute goodness and public order, which are never given consideration to such as in the case of gambling, prove such an obligation null and void.

2.0 Objectives

The main objective of this unit is to put in place reasons why gambling is forbidden in Islam. You should at the end of this lesson, be acquainted with these reasons to enable you remain in touch with these *Shari'ah* principles forbidding gambling in whatever form it may be.

2.0 Main Content

2.1 Islam and gambling:

Gambling literally means acquisition of an item too easily and without labouring for it. It is to invest money or other property in an uncertain transaction with a risk of acquiring profit in it without labour.

In the pre-Islam period of the Arabs, gambling was one of their major businesses. Such forms of gambling as *Mulāmadha* and *Munābadha* were very popular. An example of *Mulāmadha* is to sell a commodity by allowing the buyer to touch it only at a pre-fixed price while closing his or her eyes; and for *Munābadha*, each party to the business would be asked to throw a roll of cloth in the dark to determine what each one would go with.

The *Shari'ah* stipulates that in the interest of fair/ethical dealing in contracts, unjustified enrichment should be avoided. In view of this, contracts involving *Ribā*, *Gharar* and *Maysir* are null and void. *Ribā* is usually translated as usury, excessive interest or usurious interest. *Gharar* means unlawful gain; while *Maysir* means a way of obtaining something too easily and deriving unearned profit.

Maysir is so called because the gambler seeks to become rich quickly and easily without undergoing the trouble of earning wealth through hard work. It is essentially anti-social and so, produces a general deterioration of character.

The theory of *Gharar* is based on Qur'anic prohibition of *Maysir*. In Qur'an Chapter 5 Verse 93, Allah Says:

Oh you who believe! Intoxicants and gambling, dedication of stones, and divination of arrows are an abomination of Shaytan's handiwork, eschew such abomination that you may prosper.

The arrows here referred to were used for ascertaining undue lucky or unlucky actions or gains. On this, the holy Qur'an asserts thus:

Oh you who believe! Eat not up your property among yourselves in vanities ... (Q.4:29).

The prohibition of *Gharar/Maysir* arises from the premises that an apparent agreement between two parties is in actuality, the result of immoral inducement provided by false hopes in the party's minds that they will profit unduly by the contract.

The prohibition of *Maysir* arises as a result of the immoral inducement it provides. Although the word *haram* which is the legal-religious term for "forbidden" is not used in conjunction with *Maysir* in the holy Qur'an, the severity of the prohibition is indicated by its close link to idolatry and wine and the use and consumption of pork.

The Jurists designate the term *Maysir* to cover all kinds of gambling whether for a prize or betting to a stake. The Jurists drew the simple conclusion that if a given activity could be declared to be or in some ways to deriving unearned profit, it is illegal.

Self Assessment Exercise I:

What do you understand by gambling?

Give and then explain other terms that can be used for gambling in Islam

3.2 Why is gambling prohibited?

The legal principle to which the Islamic objection of gambling is attributed is that even if a gamble does not comprise fraud in itself, the winner has earned that which he has won from the loser on mere chance. The effect of gambling is regarded as similar to that of alcohol, which leads to the neglect of religious duties such as the observance of five daily prayers, fasting etc.

Another modern institution attached to gambling is the system of lotteries. The Jurists, giving their opinions on the subject, have unanimously declared it to be unlawful on account of gambling. It is a violation of the law of equivalence. It

is a kind of robbery by mutual agreement. There are a lot of economic and social evil consequences for lottery among men. The whole act is reduced to gambling which saps character and distracts people from the sober work on which the common welfare rests. It is in view of this reality that Islam regulates, specifies and defines the means of acquisition of wealth in such a way as to eliminate exploitation and chance around which gambling revolves.

Apart from the effect which gambling may have on spiritual life of the gambler, it also affects him in particular and the society at large socially. The game of chance and tricks not only contribute to fluctuation of the markets but also widen its trend. A gambler is also a depressed man in the society because people look down on him as irresponsible as he always neglects his family responsibilities.

Self Assessment Exercise II:

Explain in clear terms the rationale behind Islam's prohibition of gambling

3.0 Conclusion

The primary aim of the Islamic prohibition of gambling is to eliminate all forms of injustice and avoidance of getting profit without working for it. Gambling negates the stands for cooperation and brotherhood, which Islam stands for. Gambling symbolizes an unjustified gain in relation to labor inputs between the loser and gainer. The principle on which the objection of Islam on gambling is based is: that even if there is no fraud, you gain what you have not gained or lose on a mere chance. It ruins gambler's worldly life as well as his spiritual future.

5.0 Summary

In this unit we have been able to discuss gambling as one the unlawful ways through which people make money. It is a practice that had been in practice

before the advent of Islam and which is still in vogue now in various societies. According to our discussion, gambling has negative effects on both the spiritual and the social life of the society and this is why Islam frowns at it.

6.0 Tutor Marked Assignment

Discuss gambling in relation to its spiritual and social effects on the life of any society.

7.0 References / Further reading materials

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Unit 4: Islamic attitude to Bribery

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The meaning of Bribery
 - 3.2 *Wakil* or Agent – The third party.
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References / Further Reading

1.0 Introduction

This unit affords you the opportunity to understand the stand of Islam on the act of bribery. A bribe which is any gift given with the intention of inducing another person to act in favor of the donor in relation to any form of contractual obligation among men. This act is totally forbidden in Islam. This lesson will enable you know the reasons why Islam is against such an act in whatever form it may take in any contractual obligation.

2.0 Objectives

The objectives of this unit will be to explain to you the concerns of Islam about the act of bribery in any lawful business transactions involving third party. So at the end of the unit, you should be able to have better understanding of the view of Islam on the act of bribery.

3.0 Main Content

3.1 The meaning of Bribery

Bribery can be defined as an illegal gratification given with the ulterior motive of influencing the receiver to act in favour of the giver.

A bribe is one particular kind of secret profit – a particular payment being kept secret from others in transactions. If a gift be made to a confidential agent with the view of inducing the agent to act in favor of the donor in relation to transactions between the donor and the agent's principal and that gift is secret between the donor and the agent, that is to say without the knowledge of the principal – then such a gift is a bribe.

More than 14 hundred years ago, Islam tried to bring about a lasting balance between earning and spending in order to achieve a target of maximum social/economic advantages devoid of all forms of abuses, including the act of bribery. Every pursuit and activity which has the tendency towards giving and taking bribery in whatever form is forbidden in Islam; be it on individual basis or at the state level.

Raising an optimum level of resources and utilizing it efficiently within the framework of a just plan, demands unscrupulous honesty on the part of the common man as well as government employees. This demands that on the one hand, the common man should be willing to provide, honestly to the treasury, the resources needed for attaining general social welfare and that on the other hand, corruption including offering of gifts, let alone undisguised bribery, for obtaining an undue advantage in money position, jobs or contracts, is to be completely eliminated. The holy Qur'an, Chapter 2, Verse 188 reads:-

And swallow not your wealth among yourselves by false means, nor seek to gain access thereby to judges to swallow other people's property wrongfully with knowledge thereof.

The holy Prophet Muhammad (SAW) is reported to have said:

How can a governor I have appointed say, this is for you (the treasury) and this is a gift for me! Why doesn't he sit in his parents home and see if he gets those gifts? By Allah in Whose Hand is Muhamad's life, any one of you who takes (unduly)

anything from this (what belongs to the treasury) will have it around his neck on the Day of Judgement.

The Prophet then raised his hands and said twice: Oh Allah! Have I conveyed? While honesty is expected in both the public and the private sectors, there are certain additional demands which public sector employee must fulfil. A Muslim public servant would befall in his duty to Allah and society if he takes his remuneration but does not render his due in terms of diligence, efficiency and conscientiousness:

Any Muslim ruler entrusted with the affairs of Muslims who dies while he was cheating the people, will find paradise foreclosed for him.

Self Assessment Exercise I:

Define Bribery

What would you think are the causes of bribery especially in Nigeria?

3.2 Wakil or Agent – The third party.

A *Wakil* i.e. an agent, ordinarily means someone whose purpose is to establish contractual relation between his principal and the third party. The word *Wakil* appears about twenty five times in the holy Qur'an. The remuneration and other entitlements of such a person have to be mutually agreed upon by the concerned parties in such a way that will never give room for bribe taking or any other form of undue gifts in the course of the execution of his duties. It is the duty of the agent to keep proper account of all transactions he enters into on his principal's behalf and to keep separate account of the services he rendered to his principal from his own. As a general rule, an agent has no right to deny his principal's title to goods and services, which he possesses on his principal's behalf. Any agent who uses his position as agent to acquire a benefit for himself is in breach of his duty of good faith. Any gain by an agent in the course of carrying out his principal's work which he kept secret from his principal is a secret project i.e. bribe and is recoverable by his principal as such

an agent has committed illegal gratification. If the principal discovers that his agent has recorded a secret profit or taken a bribe, he may rescind the contract after he might have recovered the secret profit or bribe. He may also rescind the contract made with the third party that had paid the bribe.

The *Shari'ah* guidelines regulating the contractual obligation between a principal and his agent seek to promote justice, fairplay and curb conflicting interests like bribery. The premise on which these moral standards are based presupposes mutual benefits and cooperation among the contracting parties.

Self Assessment Exercise II:

What is *Wakīl*?

How should be the relationship between a *Wakīl* and his Principal?

4.0 Conclusion

Bribery has become a cankerworm in all facet of life. It is rampant not only among the poor people but also within the highly placed people. In order to combat all forms of exploitation, Islam demands honesty in all forms of lawful undertakings. While engaging with others, Islam warns against any kind of undue gratification, unjustified gift or bribery. This is with a view to show that exploitation of others or using ones position as agent to acquire a benefit for oneself is a breach of ones duty of good faith. Bribery or a secret profit stands forbidden in Islam because it is regarded as inhuman and immoral act, it needs to be avoided for the wellbeing of individual and society.

4.0 Summary

We have discussed in this lesson about bribery as a social evil. We learnt that it is to give out something with the intention to influence the receiver in one way or the other. We equally discussed the view of Islam on the act and the effect which it had on the well-being of the society.

5.0 Tutor Marked Assignment

In your own view, to what extent do you consider bribery a social problem in Nigeria?

7.0 References / Further Reading Materials

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Unit 5: *Al-Qirād/Mudārabah* (Dormant Partnership) and *Bay‘un Salām*

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 The Meaning of *Al-Qirād/Mudārabah* (Dormant Partnership)

3.2 Conditions for validity of *Al-Qirād/ Mudārabah*

3.3 Rights of the worker and the Proprietor

3.4 Termination of *Al-Qirād/Mudārabah*

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References / Further Reading

1.0 Introduction

You have learnt in the previous lessons about some general economic rules and regulations guiding business or contract transactions in the Islamic perspective. You learnt about what is lawful and what is unlawful as it concerned what to trade in. You have been aware that practices such as fraud, hoarding, gambling, bribery and other such evil practices are inimical to the general well-being of the society and for this they are abhorred by Islam. In this unit however, you will be introduced to one particular trading pattern which has a wide acceptance among Islamic economists. This is what is known as *Al-Qirād/Mudārabah*.

2.0 Objectives

It is expected that at the end of this lesson, you should be able to:

- a. define *Al-Qirād/Mudārabah*;
- b. explain how it operates;
- c. give its benefits to the participants and the general public.

3.0 Main Content

3.1 The Meaning of *Al-Qirād/Mudārabah* (Dormant Partnership)

Al-Qirād is an Arabic word derived from *al-qard* which means ‘to cut’. This is because the owner or the proprietor cuts a part of his money for someone else to trade with, expecting that the gains from it will also be shared. It was defined by the famous Maliki Scholar, Ibn Al-Arafa, as ‘a contract in which a person entrusts funds to a worker (*al-Āmil*) for him to trade with and with the arrangement that the proprietor (*Rabbul Māl*) will share from the profit’.

Other names by which this type of business arrangement is interchangeably used include: *mudārabah* and *muhāmala* which are all interpreted as ‘dormant partnership’.

A Muslim jurist, Sayyid Sābiq, opined that the three terms, *Qirād*, *mudārabah* and *muhāmala* are synonymous. He defined them as a type of contract between two parties in which one of them entrusts monetary value (*al-nakd*) to another person in order to trade with it, on the condition that the profit will be shared between them as agreed. It should be noted here that the principle of ‘offer and acceptance’ between the contracting parties is the corner stone of *Al-Qirād*.

Self Assessment Exercise I:

Define and then explain what you understand by *Al-Qirād*.

3.2 Conditions for validity of *Al-Qirād/ Mudārabah*

For any arrangement on *Al-Qirād/Mudārabah* contract to be valid, the following conditions are to be met:

- i. The capital to trade with must be in cash (currency). It should not be stock, property or consist of debt owed by one of the contracting parties the other. In other word, the *Āmil/Muqārib* i.e. the worker must not be indebted to the *Rabbul Māl* i.e. the Proprietor. This is the view of some Islamic jurists who differentiate between *qirād* and *muqārabah*. To this group, *Qirād* is only done with cash while to some others it can be with cash, property or stock.
- ii. The exact amount invested in the enterprise should be definitely known so that the profit to be shared will be appropriate to both contracting parties as agreed. There should not be anything like approximation.
- iii. The profit to be shared from the actual proceed should be of definite proportion known and agreed upon by the parties. Although no prescription is made in the *Shari'ah* to that effect, it is advisable that the parties involved should prescribe certain known proportions like equal or proportionate half, one third e.t.c. The Prophet once leased out the land of Khaybar to some workers on the agreement that one half the product from it should be given to the Islamic State. No proprietor should demand for a certain amount as his share outside the agreed proportion. Such a demand invalidates the contract.
- iv. The contract should not be restricted in whatever form. That is the owner of the capital should not restrict the worker to a particular type of business or to a specific city or trade in a particular season or time or should not transact business with a particular person and every other condition that may hamper the growth of the business. This is the view of Imam Malik

and Imam Shāfi‘i which is however in contrast with the view of Imam Abū Hanīfah who opined that there was nothing wrong for the owner of the money to restrict the worker.

Self Assessment Exercise II:

List and then explain some of the conditions that validate *Al-Qirād/Mudārabah* contract

3.3 Rights of the worker and the Proprietor

Under the *Al-Qirād/Mudārabah* contract arrangement, there are rights due to both the worker and the proprietor.

Following are some of the rights that are due to the worker (*Āmil/Mu‘ārib*):

- i. Freedom to trade at any time that is convenient for the business except if both parties had earlier agreed to it before the commencement of the transaction.
- ii. Buying the available goods in the market is the right of the worker. The proprietor should not compel him to buy seasonal goods which could be available sometime and not available sometime else.
- iii. The worker also has the right to transact business in cash and in kinds. The proprietor should not impose credit purchase or selling on credit on the worker. Doing so also vitiates the contract and the worker receives his due share in the profit. But if the proprietor conditioned that the worker should transact in cash but he did that in credit, he will get his due share from any profit made of such

transaction but will be totally responsible for any loss because he acted against the instructions of the proprietor.

- iv.* The worker has totalitarian control over the business. If the proprietor interferes by selling some goods in the workers absence without his permission, such sale is regarded invalid
- v.* It is the right of the worker to receive the initial capital from the proprietor without any guarantee. If the business is affected by any natural disaster, the worker has the right to his due right of the any profit made.

The rights of the proprietor are as follow:

- i.* The proprietor has the right to control the movement of the worker at a particular time or the other and the worker should cooperate with the proprietor except it such control would have adverse effect on the worker.
- ii.* The proprietor can restrict the worker from transacting in a particular trade of item especially if he has had the fore knowledge about non-viability of such trade or the risk of natural calamity like sinking of ship in the sea or armed robbery attack on the road. If the worker refuses to take to instruction from the proprietor and runs into loss, he will be responsible for the loss.
- iii.* The proprietor has the right to buy from the commodity on sale at the same rate being sold to the public.
- iv.* He has the right to give the worker some conditions which will prevent risk or loss.

3.4 Termination of *Al-Qirād/Mudārabah*

It is the consensus of the Muslim jurists that the contract of *Al-Qirād/Mudārabah* can be terminated at any time, but the proprietor must give the worker the opportunity to sell the goods for the actual profit to be determined. If the profit is in form of cash at the time of termination, it should be distributed according to the profit margin as agreed.

Al-Qirād/Mudārabah contract is terminated with the following:

- i. If any of the conditions for validity of the contract is omitted at the instance of the proprietor, then the worker receives compensation for any transaction he made while the contract stands terminated. Whatever loss incurred by the worker afterward will be borne by the proprietor because in this case, the worker is just a hired person and no more a partner.
- ii. If there is a negligence on the part of the worker to protect the capital as required or transacting in business that is not agreed to in the contract, the contract will be terminated and the worker will be responsible for the liquidation of the business.
- iii. The death of any of the contracting parties to the contract automatically terminates the contract.

If the proprietor dies, the worker can only continue with the business with the permission of the proprietor's heir(s) and whatever profit made should be openly shared between the two parties.

Self Assessment Exercise III:

Under what conditions can *Al-Qirād/Mudārabah* be terminated?

4.0 Conclusion

The import of the introduction of *Al-Qirād/Mudārabah* in the Islamic economic system is to discourage Muslims' involvement in such anti-social economic activities as hording, bribery, begging, armed robbery, corruption and such others which are inimical to the security and the general well-being of the society. Although the space and time we have for this course is not enough to explain all about Islamic economic system, we have been able to at least introduce you to some of the salient items you need to start with. It is expected that you put in more efforts to research further on what the details are about the Islamic economic system.

5.0 Summary

Considering the various dubious ways by which people enrich themselves these days, it will be a shortcoming if Islam, as a complete way of life, has not made available any lawful alternative for man to earn his living. One of such lawful ways is the *Al-Qirād/Mudārabah* contract which is otherwise called 'dormant partnership'. Detail about the meaning of *Al-Qirād/Mudārabah*, conditions for its validity, the rights of its participants and the termination of the contract, formed the nuclei of our discussion above.

6.0 Tutor Marked Assignment

Discuss in detail *Al-Qirād/Mudārabah* as an economic activity prescribed by Islam taking into consideration the condition for its validity and the right of each party that participates in it.

7.0 References / Further Reading Materials

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