PROFIT IN THE ISLAMIC JURISPRUDENCE

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It is a matter of course that everyone who engages in a business transaction seeks to gain some profit from it. This profit indeed makes the merchant very devoted to his business and willing to continue dealing in it. Profit is really a reasonable incentive that strongly pushes the merchant to be more enthusiastic and dedicated to his business and very interested in developing it and finding new ways to maximize his earnings. However, people in every community are not let by themselves to gain whatever profit they wish in every way they want; rather, laws and legislations set a host of rules and regulations that determine the nature, amount, and ways in which profits are to be earned in financial transactions. Likewise, the Islamic jurisprudence has established a set of conditions and requirements that are to be met to regard any profit as accepted and permissible in the Islamic perspective.

This paper tackles profit - from an Islamic point of view- in four main points. First, we will see the definition of profit in Islamic finance and what makes it different from its counterpart in conventional finance. Then, we will touch upon the legitimacy of profit in the Islamic jurisprudence. After that, we will consider the regulations of profit from the Islamic perspective. Finally, we will deal with profit eligibility factors in the Islamic paradigm.

1. Profit in Islamic finance versus profit in conventional finance

To begin with, it is of paramount importance to define profit in the Islamic viewpoint and set clear boundaries of the term to distinguish it from other terms that can be seen as profit in other economic backgrounds. According to Abu Bakr Ibn Al-Arabi[1], profit is “the surplus a person earns over what he has

[1] Abu Bakr ibn al-Arabi (born in Sevilla in 1076 AD. and died in Fez in 1148 AD.) was a Muslim judge and scholar of Maliki law from al-Andalus.

substituted in a transaction" (2003: 521). For Mohamed Allish[1], profit refers to "the monetary surplus over the price of what is purchased and sold" (1984: 47). Another definition of profit is that of Muhammad al-Ṭahir ibn Ashur[2] who defines it as "the surplus money a merchant earns above his capital" (1984: 299).

These definitions of profit, especially the ones of Ibn Al-Arabi and Aalish, go back to early times when commercial transactions were limited to the selling of tangible merchandises like food, clothes, etc. However, due to the huge development of trade exchanges at the present time, the profit scope has been extended to encompass the return resulted from the selling of services as well as the selling of tangible merchandises. Accordingly, a contemporary relevant Islamic definition of profit would be "the surplus over the capital due to dealing in a sharia compliant investment like commerce, industry, etc. after deducting all costs" (Ismail, 2000: 44).

From the above definitions of profit in the Islamic viewpoint, the following conclusions can be deduced:

- A profit is the financial surplus that results from a transaction.
- The transaction that generates profit must be sharia compliant.
- The transaction must involve the selling of a merchandise or a service. Hence, the surplus over a loan is not a profit. It is rather a forbidden interest (Riba).

As to conventional finance, researchers distinguish between two types of profit; namely, accounting profit and economic profit. The former refers to "the difference between the total revenue and the cost of producing goods or services" (Siegel and Shim, 2000:.10), while the latter refers to "the difference between the total revenue and the total opportunity costs" (Siegel and Shim, 2000: 155). Note that Opportunity cost is "the cost of a business initiative in terms of profits that could have been gained through an alternative plan" (Collin, 2006: 280). Therefore, "the economic profits are equal to the accounting profits less any opportunity costs that the accountants did not include when measuring total costs" (Taylor and Wapeera, 2009: 254).

[1] An Egyptian Maliki scholar, died in 1881 AD.
[2] A Tunisian Islamic scholar, died in 1973 AD.

The following table shows the main differences between profit in the Islamic jurisprudence and profits in conventional finance:

Profit in the Islamic perspective	Profit in the conventional perspective
- Sharia principles and laws are considered. - Profit must result from the selling of merchandises or services. - The surplus over a loan is not a profit. It is the forbidden interest (Riba).	- No religious background is considered. - Profit does not necessarily result from the selling of merchandises or services.

Having seen the definition of profit in the Islamic perspective, let us now discover how Islam highlights profit and encourages Muslims to seek it in various permissible ways.

2. The legitimacy of profit making in Islam

The importance of making profit and the permissible ways conducive to it are highly stressed and called for in the Holy Quran and the authentic Hadiths of the prophet Mohamed (peace be upon him). There has also been a consensus among the Muslim scholars that seeking profit is something legitimate and very salient in the Islamic perspective.

The following citations show that the Islamic faith urges Muslim people to seek profit by investing their money, expertise, and physical effort:

- Allah the Almighty said, "Whereas Allah has permitted trading and forbidden *riba* (usury)". (Surah 2 Al-Baqarah: 275).
  In interpreting this verse, Ibn Jarir Al -tabari[1] said, "Allah has permitted profits in trades" (2001, v5: 43).
- Allah the Almighty said, "There is no sin on you if you seek the bounty of your Lord (during pilgrimage by trading)". (Surah 2 Al-Baqarah: 198).
  With regard to this verse, Mohamed Al-Ameen Al-Chankiti[2] said, "there is no dispute among the (Muslim) scholars that the bounty in this verse means the profit in trading" (1980, v1: 166).
- Urwa Al-Bariqi, a prophet's companion, cited in al-bukhari that the Prophet Mohamed (pbuh) "gave him one *Dinar* so as to buy a sheep for him. Urwa bought two sheep for him with the money. Then he sold one

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[1] A Persian scholar and commentator of the holy Quran. He died in 923 AD.

[2] Islamic scholar, died in 1974 AD.

of the sheep for one *Dinar*, and brought one Dinar and a sheep to the Prophet. On that, the Prophet invoked Allah to bless him in his deals. So Urwa used to gain (from any deal) even if he bought dust" (Al-Bukhari: 2009, v4, p.849).

In this narration, the prophet (PBUH) approved Urwa's deal which is an explicit approval on making profit.

- Ibn Hazm Al-Andalussi[1] in his book *maratib al-ijmaa* reported the Muslim scholars' agreement that the parties in a commercial partnership are to share the profit as well as the loss (date not available: 91).
- Abu Ishaq Al-Shatibi[2] also stated that "having career, making money, and getting married are generally recommended (in Islam)" (1997, v2: 306).

All these citations represent clear evidence on the legitimacy of making profit in the Islamic perspective. Furthermore, Islam encourages its followers to be active individuals in the society and gain profits as long as the deals abide by the Islamic principles and regulations. The following section will discuss some regulations set by the Islamic jurisprudence to regard a transaction as acceptable in the view of Islam.

3. **Regulations of profit in the Islamic jurisprudence**

There is a total agreement among Muslim jurists that profit has to emerge from sharia compliant deals and businesses so as to be deemed legal in Islam. To consider a commercial deal as sharia compliant, Islam necessitates the existence of some regulations in that deal. These regulations are mainly: the prohibition of *riba* (usury), the prohibition of *gharar* (uncertainty), the prohibition of *maysir* (gambling), and the prohibition of unlawful goods and services.

a. **the prohibition of *riba* (usury):**

Riba is translated in English as usury and it refers to "the practice of charging financial interest or premium in excess of the principal amount of a loan."

[1] Andalusian scholar, died in 1064 AD.
[2] Andalusian scholar, died in 1388 AD.

(Iqbal and Mirakhor, 2011: 57). *Riba* is strictly and explicitly forbidden in many texts of the Quran and Hadith.

- Allah the Almighty said, "those who eat *riba* (usury) will not stand (on the day of resurrection) except like the standing of a person beaten by *shaitan* (satan) leading him to insanity. That is because they say: "trading is only like *riba* (usury)," whereas Allah has permitted trading and forbidden *riba*"" (Surah 2 Al-Baqarah: 275).
- Allah the Almighty said, "O you who believe! Be afraid of Allah and give up what remains (due to you) from *riba* (usury) (from now on), if you are believers. And if you do not do it, then take a notice of war from Allah and his messenger." (Surah 2 Al-Baqarah: 278-279).
- Abu Huraira narrated that the prophet (pbuh) said, "Avoid the seven great destructive sins." And he mentioned among them "to eat up *riba*" (Al-Bukhari: v4, p.639).

b. Prohibition of *gharar*:

Gharar can be defined as "exposing oneself to excessive risk and danger in a business transaction as a result of either having too little information or asymmetric information about price, quality and quantity of the counter-value, the date of delivery, the ability of either the buyer or the seller to fulfil their commitment, or ambiguity in the terms of the deal _ thereby, exposing either of the two parties to unnecessary risks." (Iqbal and Mirakhor, 2011: X).

Abu Huraira (Allah be pleased with him) reported that "Allah's Messenger (May peace be upon him) forbade a transaction determined by throwing stones, and the type which involves some uncertainty" (Muslim, 2009: 907).

Gharar transactions in this Hadith are referred to as transactions that involve uncertainty. This uncertainty and ambiguity can be in terms of the price of the goods or service, the time of delivery, the quantity and quality of the goods, the ability to deliver or receive what is sold, and every obscurity that surrounds the transaction. Examples of *gharar* can be selling a bird in the sky or an animal which is still in its mother's womb etc.

c. Prohibition of *maysir* (gambling):

Islamic jurisprudence prevents those speculative financial activities that contain a high degree of avoidable and unnecessary risk. The reason for banning these activities is *maysir*. According to Marifa Team, "*maysir* or gambling is a form of *gharar* and a zero sum game where no additional value is created. Conventional insurance is regarded as a form of gambling as the insured makes a bet on loss occurrence and the same applies in reverse to the insurer. It is also regarded as acquiring wealth through luck or by chance and at the cost of others." (2014: 183-185)

It is clear from the above quotation that *maysir* is forbidden because the gambler may gain money without making any effort from his part, which contradicts with the essential principles of justice and equity that Islam calls for. The gambler simply and strangely enough "strives to amass wealth without effort." (Hassan and Lewis, 2007: 39).

Maysir is explicitly forbidden in Surah 5 Al-Maida: 90; Allah the Almighty said, "O you who believe! Intoxicants (all kinds of alcoholic drinks), and gambling, and Al-*Ansab*, and Al-Azlam (arrows for seeking luck or decision) are abomination of *shaitan's* (satan) handiwork, so avoid (strictly all) that (abomination) in order that you may be successful."

d. Prohibition of unlawful goods and services:

Islam has also forbidden those transactions the subject of which are dreadful goods or services that cause harm to the individuals and the society at large. Hence, dealing in pork, intoxicating drinks, drugs, prostitution, casinos, etc. is condemned in Islam for the bad effects they have on people's health and social cohesion.

Jabir Bin Abdullah narrated that he heard Allah's Apostle, in the year of the Conquest of Mecca, saying, "Allah and His Apostle made illegal the trade of alcohol, dead animals, pigs and idols." (Al-Bukhari[1]: 2009, v 3, p.502).

After viewing the major requirements that have to be met in a sharia compliant transaction, we will tackle the main factors that make a person worthy of receiving profit.

4. Profit eligibility factors in the Islamic paradigm:

According to the Islamic view, a person will not deserve a profit unless he takes part in a sharia compliant business either by his money, labour, or guarantee. In

[1] Compiler of Hadith, died in 870 AD.

this respect, Alaa Din Al-Kassani[1] said, “Profit for us (Muslim scholars) is basically deserved by virtue of money, labour, or guarantee” (1986, v 6: 62). These three factors are discussed below.

a. **Money**:

Money in the Islamic viewpoint is “everything people are eager to own and everything that is ordinarily and legally (in Islam) beneficial to people” (Ibn Al-Arabi: 2003, v 2, p.107). Therefore, money in Islam refers not only to the current currencies used in financial exchanges, but to every goods, property, services, etc. that people need in their daily life as well, on the condition that those things must be in conformity with sharia rules and principles.Muslim jurists consider money as an important factor that makes its owner worthy of any profit resulting from that money. For example, in the *mudarabah*[2] contract (venture capital) capital owner (*rabb almal*) deserves a profit out of the contract due to the capital he has offered.

Muslim scholars, however, have stated that money alone cannot be a reason to deserve profit. It must be joined with labour or/and guarantee. In the case of *mudarabah*, the capital owner deserves profit only if he guarantees any possible loss that results from the contract. Money can also be joined with labour to produce profit especially in *musharakah* contracts (partnership) when the two parties participate both in the capital and the management of the business. There is a general premise among Muslim jurists that money alone does not generate profit; otherwise, the outcome is going to be the forbidden *riba*.

b. **Labour:**

Labour is an important factor that makes the person worthy of having profit. This view is clearly illustrated in the previous example of *mudarabah* contract where the profit gained by the investment manager (*mudarib*) is owed to the work and effort he has made.

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[1] Islamic scholar, died in 1191 AD.

[2] Mudarabah is a contract between two parties- a capital owner or financier (rabb almal) and an investment manager (mudarib). Profit is distributed between the two parties in accordance with the ratio upon which they agree at the time of the contract. Financial loss is borne only by the financier (Iqbal and Mirakhor: 2011, p.XII).

Labour in Islam refers to "any behaviour_ physical or intellectual_ done intentionally by a person" (Hammad: 2008, pp. 331-332). It is worth-mentioning here that Islam encourages good deeds and exhorts Muslim people to engage in works and initiatives that bring about prosperity and wellbeing to the individual and society as a whole. Allah in the Noble Quran said, "Verily those who believe (in the oneness of Allah_Islamic monotheism) and do righteous deeds shall have the gardens of Al-Firdaus (paradise) for their entertainment" (Surah 18 Al-Kahf: 107). The prophet Mohamed (pbuh) was once asked: what is the best deed? He then answered: "the man doing his own work and every honest sale" (Al-Bazzar[1]:1997, v 9, p.183).

c. Guarantee:

Guarantee is the third element that makes a person worthy of earning profit generated from a business. Actually, guarantee has several meanings in the Islamic jurisprudence, but the one relevant in this context is "the person's responsibility for something damaged in his possession" (Ibn Rochd[2], 2012: 735). Consequently, the seller can only deserve profit if he guarantees the damage or fault in the product he is selling. This principle is based on some of the prophet's (pbuh) Hadiths like the one narrated by Hakim Ibn Hizam that the prophet (pbuh) said to him, "do not sell what you do not possess" (Al-Tirmidhi[3]: 1968, v3, p.525). This guidance from the messenger of Allah (pbuh) shows that seeking profit from something you do not own and you do not consequently guarantee is not acceptable in Islam. The prophet (pbuh) in another Hadith "prohibits making profit from what is not guaranteed" (Al-Nassai[4]: v 7, p.295).

CONCLUSION

This article has shown that Islam does not prevent its followers to seek profit and make as much money as they can provided that business transactions are governed by the regulations and principles of Islam. Through these regulations and principles, Islam indeed aims at establishing an economic system that implements equity and justice between the contract parties and preserve the

[1] Compiler of Hadith, died in 905 AD.
[2] Andalusian scholar, died in 1198 AD.
[3] Compiler of Hadith, died in 892 AD.
[4] Compiler of Hadith, died in 915 AD.

rights of the weak person in the a business transaction. Islam proves that making profit is not an end by itself; rather, it is an incentive that is conducive to a great deal of economic boom and prosperity in the whole society.

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