

Chapter – 35

Salam Trade & Share Holding

(بیع سلم اور مضاربت)

Quran:

وَإِنْ كُنْتُمْ عَلَىٰ سَفَرٍ وَلَمْ تَجِدُوا كَاتِبًا فَرِهَانٌ مَّقْبُوضَةٌ فَإِنْ أَمِنَ بَعْضُكُم بَعْضًا
فَلْيُؤَدِّ الَّذِي أُؤْتِمِنَ أَمَانَتَهُ وَلْيَتَّقِ اللَّهَ رَبَّهُ

{And if you are on a journey and cannot find a scribe, then a mortgage must be handed over; and if one of you trusts the other, the one who is trusted may return the mortgage entrusted to him and fear Allah, the Lord. (02:283)}

Hadith:

Narrated Ibn Abbas, Ibn Abi Najih and Abu Minhal:

Allah's Prophet came to Medina and the people used to pay in advance (سلم) the price of fruits to be delivered within one to three years. The Prophet said, "Whoever pays money in advance for dates (to be delivered later) should pay it for the specified weight and measure and for the specified time." (Sahih Bukhari: 2099to2103)

Narrated Muhammad bin Al-Majalid:

During the periods of the Noble Prophet, Abu Bakr and Umer, people used to practice Salam trade (business with advance payments) for wheat, barley, dried grapes and dates. (Shih Bukhari: 2104)

Narrated Abu Bakhtari At-Tai:

I asked Ibn Umar about Salam, he said. "The Prophet forbade the sale of dates palm till their benefit becomes evident for measurement and they are fit for eating. Moreover, he forbade the sale of silver (for gold) on credit. (Shih Bukhari: 2108)

Narrated Muhammad bin Al-Mujalid:

Abdur Rahman bin Abza and Abdullah bin Abi Aufa informed me that "We used to get war booty while we were with Allah's Prophet. When the peasants of Sham came to us we used to pay them in advance for wheat, barley, and dried grapes to be delivered within a fixed period." I asked them, "Did the peasants own standing crops or not?" They replied, "We never asked them about it." (Shih Bukhari: 2113)

Important Aspects of Islamic Doctrine

- ❖ **بيع سلم (Advance Payments):** The investor pays money in advance to the farmer. After, farmer cuts the crop at its due time and hand over the material to the investor, it is **بيع سلم (Salam Trade)**. In this business, money that is present, is being paid in advance as against material is non-existent. In this trade both parties are the beneficiaries. The farmer gets advance payments by that he can manage not only the better yield but also has no worries to run his house. On the other hand the investor gets advantage of the lower price of the crop. He saves his time and in this period he can do some other job as well. However, in this business it is very much likely that later controversies and arguments may come up. Hence, a documented agreement needs to be prepared in this regard. All those things whose qualities and quantities may be assessed the trade of such items are permitted and when it is not possible then it is forbidden.

- ❖ **مضاربت (Shareholding):** In this business, one party invests money and the other party produces with the help of workers. Most of the Companies run on shareholding principles, in which some persons invest money and some persons execute. The shares are dependent as per investments. And accordingly the profit and loss is distributed.
Shares are of two types:
 1. **Preferred:** In this, profit is decided earlier and there is no sharing in profit and loss.
 2. **Simple:** In this, sharing in both profit and loss exist. Such business in which there is no sharing in profit and loss, it is Usury (Riba) and according to Islam it is unlawful. That business in which profit and loss both are shared it is allowed. Sometimes business is run on profit and loss sharing. Here, assured but less profit is given to the shareholders. To see this, it appears as if it is a sort of Usury. But, in fact, actual profit or loss can only be determined at the time of total collapse of that Company. Since there are possibilities of complications and controversies at a later stage, therefore it is better to maintain its account and Annual Balance Sheet must be prepared.

